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AUTHOR Shapiro, Isaac
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ABSTRACT

Most of the nonmetropolitan poor live in a household with at least one worker. In 1987, 70% of nonmetro poor family heads who were not ill, disabled, or retired worked for at least part of the year, and 24% worked full time, year-round. The employed proportion of the poor was significantly larger in nonmetro than metro areas. Despite a lengthy economic recovery, poverty rates among nonmetro workers in 1987 were significantly higher than during the recovery of the late 1970s. Poverty rates for nonmetro working families were much higher than for metro working families. These patterns of poverty rates were similar in all sections of the country. About 66% of the nonmetro working poor were found in three occupational categories: services; farming, forestry, and fishing; and operators, fabricators, and laborers. Factors contributing to increases in the nonmetro working poor include: (1) the relatively high nonmetro unemployment rate for this stage of the economic recovery; (2) the large numbers of "discouraged workers" and "involuntarily part-time workers" found in nonmetro areas; (3) decreases in rural wage rates, after adjustment for inflation; (4) relative concentration of nonmetro employment in declining industries; (5) inadequate education and skills; and (6) reductions in federal and state benefits and programs for low-income working families. A number of legislative proposals now before Congress would benefit the rural working poor. The principal linkage between this document and the field of education is provided by a two-page section on "Employment and Training Programs" (p.49-52) and a single table (p.52) comparing Federal spending for such programs for FY 1981 and FY 1989. (SV)

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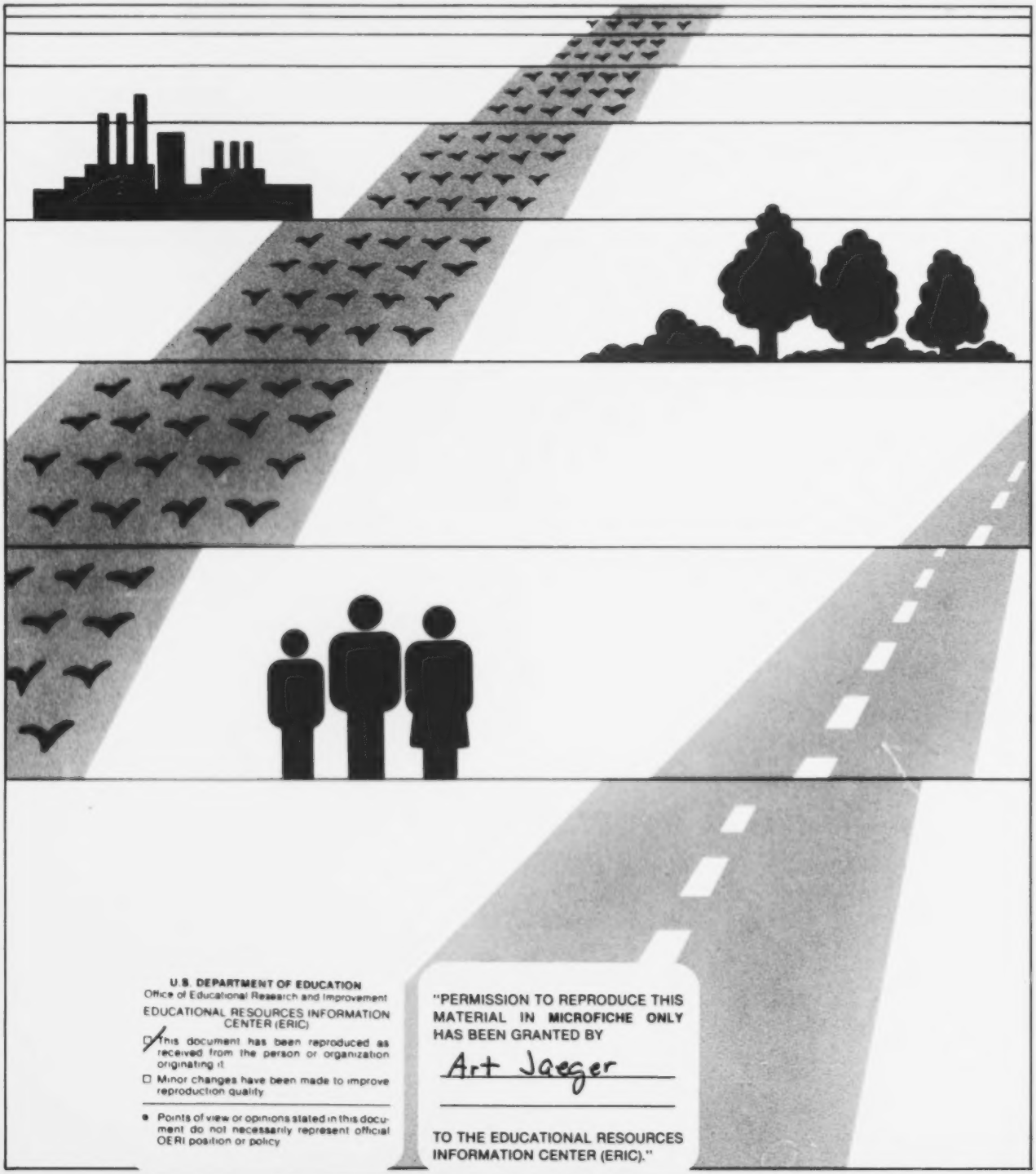
Working but Poor in Rural America



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LABORING FOR LESS

Working but Poor in Rural America

Isaac Shapiro

CENTER ON BUDGET AND POLICY PRIORITIES
Washington, D.C.

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About the Author

Isaac Shapiro is the Center's Senior Research Analyst, specializing in employment-related issues. He is also the co-author with Sar A. Levitan of the recent book, *Working But Poor: America's Contradiction.*

October 1989

Center on Budget and Policy Priorities
236 Massachusetts Avenue, N.E., Suite 305
Washington, D.C. 20002

Contents

Preface vii

Acknowledgements viii

Executive Summary ix

Part I. Profile of the Nonmetro Working Poor

I. The Extent of Work by the Nonmetro Poor 3

II. Poverty Rates Among Workers in Nonmetro Areas 11

III. Poverty Among Nonmetro Workers Varies by Occupation 19

Part II. Factors that Influence the Number of Working Poor

IV. Unemployment and Job Growth 25

V. Wage Rates 35

VI. The Role of Education 41

VII. Benefit Reductions Affecting Low Income Working Families 47

Conclusion and Policy Directions 53

Figures & Tables

Figure 1
Employment Status of Nonmetro Poor Family Householders Who Were Not Ill, Disabled, or Retired, 1987 5

Figure 2
Workers in Poor Nonmetro Families 7

Figure 3
Prevalence of Work Among Poor Family Householders, by Race and Nonmetro Status, 1987 8

Figure 4
Poverty Rate of Nonmetro Families with Working Householders 12

Figure 5
Poverty Among Nonmetro Families with Working Householders, by Race, 1978 v. 1987 14

Figure 6
Unemployment Rates Nonmetro v. Metro 1973 to 1988 28

Figure 7
Proportion of Workers Whose Wages Would Not Lift a Family of Four Out of Poverty, Even if Employed Full-Time 1979 v. 1987 37

Figure 8
Proportion of Workers Paid by the Hour Earning Wages at or Near the Minimum Wage, 1987 Nonmetro v. Metro 39

Table I
Poverty Rates Among Workers,
Nonmetro v. Metro, 1987 16

Table II
Poverty Rates Among Nonmetro and Metro
Family Members Who Work, by Region, 1987 18

Table III
Poverty Rates Among Nonmetro Family Members
Who Work, 1979 and 1987 18

Table IV
Poverty Rates of Nonmetro Working Family Heads,
By Occupation of Longest Job, 1987 19

Table V
Distribution of Poor Nonmetro Working
Family Heads by Occupation of Longest Job, 1987 20

Table VI
Distribution of Workers by Industry 33

Table VII
Proportion of Nonmetro Workers Earning Wages That
Would Not Lift a Family of Four with a Full-time Worker
Out of Poverty 38

Table VIII
Poverty Rates Among Adults, 1987 42

Table IX
Federal Spending for Employment and Training Programs
Fiscal Years 1981 and 1989 52

Preface

It is common to imagine "the poor" -- especially the nonelderly poor -- as people who should work but do not. Yet large numbers of poor people do not fit this description.

Nowhere is this more true than in rural areas. More than one of every six residents of rural areas lived in poverty in 1987 -- and most of the rural poor who are not elderly, disabled, or children are people who work for part or all of the year. Among poor people in rural areas who head families, work is the rule, not the exception.

This report consists of two parts. The first is a profile of the working poor living outside metropolitan areas ("the nonmetro poor"); it examines the extent of work among the nonmetro poor, the extent of poverty among nonmetro workers, and the occupations in which the nonmetro working poor are employed.

The second part examines the factors that lie behind the increase over the past decade in the ranks of the working poor in nonmetro areas. Among these factors are higher unemployment rates, wage levels, education levels, and government assistance programs.

This report is one of two reports on the nonmetro working poor to be published by the Center on Budget and Policy Priorities. While this report profiles the working poor and the factors that influence their numbers, the second report will discuss policy reforms that would ameliorate the problems of the nonmetro working poor. In particular, the second report, to be published by the end of the year, will focus on policies that would directly boost the incomes of this group.

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The Center's project on rural poverty, for which this is the second of a series of reports, is funded by the Ford Foundation's Rural Poverty and Resources Program and the Rural Economic Policy Program of the Aspen Institute for Humanistic Studies. We are grateful for their assistance.

The author claims sole responsibility for the contents of the report.

Executive Summary

PART I: PROFILE OF THE NONMETRO WORKING POOR

The Extent of Work by the Nonmetro Poor

Often it is assumed that the poor are people who do not work. But most of the poor who are not elderly, disabled, or children do work. This is especially true among poor people living in rural areas; a substantial majority of the nonmetropolitan poor live in a household with at least one worker.

- In 1987 -- the latest year for which poverty data are available -- seven of every ten (70.5 percent) nonmetro poor family heads who were not ill, disabled, or retired were people who worked for all or part of the year.

- Nearly one of every four (24.3 percent) nonmetro poor family heads who were not ill, disabled, or retired worked full-time year-round.

- Some 9.1 million people in nonmetropolitan areas lived in poverty in 1987. Of these, an estimated 5.8 million -- or nearly two of every three -- lived in a household where at least one household member worked during the year.

- Of those who did not work -- and were not ill, disabled, or retired -- nearly one-third looked for work but could not find it. Many of the remainder were single parents caring for young children. Of those

who worked for part rather than all of the year, half were unable to find year-round work.

Large numbers of the metro poor work as well. However, the proportion of the poor who are employed is significantly higher in nonmetro areas.

- In metro areas, 55.4 percent of all poor family heads who were not ill, disabled, or retired were employed in 1987, compared with 70.5 percent in nonmetro areas.

The heads of poor two-parent families in nonmetro areas are especially likely to work. Moreover, in nonmetro areas, a majority of the heads of poor single-parent families who are not ill, disabled, or retired also work for part or all of the year.

- Nearly all (85.6 percent) poor heads of nonmetro two-parent families who were not ill, disabled, or retired were people who worked in 1987. Almost two-thirds (65.1 percent) of the working poor families in nonmetro areas were two-parent families.

- The majority (53 percent) of all poor heads of nonmetro single-parent families who were not ill, disabled, or retired also worked.

When work by *all* family members (i.e., not just the family head) is considered, the extent to which poor families in nonmetro areas work is found to be even greater.

- In 1987, nearly two-thirds (64.6 percent) of all nonmetro poor families (including those with ill, disabled, or retired family heads) had at least one worker. The comparable figure for poor families in metro areas is 54.1 percent.

- Nearly one-fourth (23.4 percent) of all nonmetro poor families had two or more workers.

Poverty Rates Among Workers In Nonmetro Areas

The proportion of workers living in poverty tends to rise and fall with overall economic trends. Accordingly, the poverty rate among workers in nonmetro areas rose sharply during the back-to-back recessions of the early 1980s and declined during the ensuing economic recovery. Despite the lengthy recovery, however, poverty rates among nonmetro workers are higher now than they were during the recovery of the late 1970s.

Poverty rates for 1987 can be compared to the rates for 1978. Both years were advanced stages of economic recoveries and had very similar national unemployment rates -- 6.1 percent in 1978 and 6.2 percent in 1987.

- In 1978, one in every 13 nonmetro families in which the family head worked had income below the poverty line. The poverty rate for these families was 7.6 percent.

- In 1987, by comparison, the poverty rate for these families was nearly a third higher. One of every ten (10.0 percent) nonmetro families in which the family head worked was poor.

The increases in poverty were substantial among both white and black working families in nonmetro areas.

- The poverty rate among nonmetro white families in which the family head worked rose from 6.4 percent in 1978 to 8.5 percent in 1987, an increase of about one-third.

- Among black families in which the family head worked, the poverty rate rose from 23.7 percent in 1978 to 27.8 percent in 1987. Thus, by 1987, more than one in four black nonmetro families in which the family head worked was living below the poverty line.

- In addition, 14.1 percent -- one of every seven -- nonmetro black families in which the family head worked full-time year-round fell below the poverty line in 1987.

Poverty rates for nonmetro working families are much higher than poverty rates for metro working families. In fact, a family in which the household head works is about *twice as likely* to be poor in nonmetro as in metro locations. This relationship characterizes poverty rates for both whites and blacks, and for both full-time and part-time workers.

	Poverty rates among families in which the family head works, 1987	Poverty rates among families in which the family head works full-time year-round, 1987
Nonmetropolitan	10.0%	4.7%
Metropolitan	5.7	2.2
Nonmetro Blacks	27.8	14.1
Metro Blacks	15.5	5.1
Nonmetro Whites	8.5	4.1
Metro Whites	4.5	1.9

These patterns -- of poverty rates for nonmetro workers exceeding those for metro workers and being higher in 1987 than in the late 1970s -- hold for every section of the country. In five divisions of the Census Bureau's nine regional divisions -- the Mid-Atlantic, West North Central, West South Central, Mountain, and Pacific regions -- the poverty rate for nonmetro workers increased by more than half between 1979 to 1987.

Particularly striking are the income figures for poor nonmetro families whose income comes entirely from earnings. In 1987, the average income of these families was nearly $3,000 below the poverty line for a family of three and $5,500 below the poverty line for a family of four.

Poverty Among Nonmetro Workers Varies by Occupation

While nonmetro poverty is sometimes thought of as primarily farm poverty, this stereotype is inaccurate. Only about one in five of the nonmetro working poor are employed in farm, forestry or fishing occupations. At the same time, however, even though net farm income in 1987 was the highest since 1975 (after adjusting for inflation), the farm poverty rate was 19 percent -- quite high relative to other occupations.

Altogether, two-thirds of the nonmetro working poor can be found in three occupational categories: services; farming, forestry and fishing; and operators, fabricators and laborers.

PART II: FACTORS INFLUENCING THE NUMBER OF THE NONMETRO WORKING POOR

Unemployment and Job Growth

The poverty rate among rural workers tends to follow economic trends, rising as unemployment rates increase and falling as unemployment rates decline. The relatively high nonmetro unemployment rate at this stage of the current recovery -- 6.2 percent in 1988, compared with 5.7 percent in 1979 at the equivalent stage of the last economic recovery -- is one of the reasons the nonmetro poverty rate remains higher than in the late 1970s.

In addition, while the nonmetro unemployment rate was *lower* than the metro unemployment rate throughout the 1970s, it has been *higher* than the metro unemployment rate throughout the 1980s.

- From 1980 to 1988, the nonmetro unemployment rate averaged 8.2 percent, while the metro rate averaged 7.3 percent.

- For the first half of 1989, the nonmetro unemployment rate averaged six percent, while the metro rate averaged 5.3 percent.

But the unemployment problems of nonmetropolitan workers are larger than those that emerge from a simple examination of unemployment rates. One reason for this is that the official unemployment rate data exclude "discouraged workers" -- unemployed individuals who would like a job but are not actively seeking work because they do not believe job opportunities are available. The unemployment rate data also exclude "involuntarily part-time workers" -- workers employed in part-time jobs who would prefer full-time positions but cannot find them. Nonmetro areas contain disproportionately large numbers of both discouraged workers and involuntary part-time workers.

- If the discouraged workers are counted as unemployed, and if each of the involuntary part-time workers is counted as half unemployed, then the "adjusted" nonmetro unemployment rate for 1988 would be 10.1 percent.

- By contrast, if the metro unemployment rate is adjusted in this manner, it rises much less -- to 7.9 percent.

Furthermore, rural areas are much more likely than urban areas to contain pockets of high unemployment.

- In 1988, only 2.8 percent of the metro labor force resided in a county with an unemployment rate of 10 percent or more.

- By contrast, nearly one of every seven people (13.4 percent) in the nonmetro labor force resided in a county with a double-digit unemployment rate.

- The proportion of the nonmetro labor force living in these high unemployment counties in 1988 was twice as high as in 1979.

These data are particularly significant because people living in counties with exceptionally high unemployment rates are more likely to face enduring income problems and high poverty rates.

In a pattern closely related to that of unemployment levels, job growth has also lagged in nonmetro areas. During the current economic recovery, the rate of job growth has been significantly lower in nonmetro than in metro locations.

One reason nonmetro job growth has lagged behind metro job growth is that nonmetro area employment is more concentrated in industries that are experiencing decline and less concentrated in growing industries. In particular, nonmetro employment is more concentrated in two areas -- resource industries (mining and agriculture) and routine manufacturing -- that have encountered substantial problems in the 1980s.

Wage Rates

In examining the factors influencing the number of working poor, it is important to consider not only whether people are employed but also their wage levels. Despite the economic recovery, the average rural worker has earned less in recent years than in 1979, after adjustment for inflation.

An analysis by researchers at the U.S. Department of Agriculture found that the average earnings of all nonmetro workers dropped from $18,429 in 1979 to $16,808 in 1982, and then rose back to $17,279 in 1986. Thus, in 1986, four years into the recovery, the average earnings of nonmetro workers were still $1,150 below their 1979 level. (All figures are in 1988 dollars.) In contrast, by 1986, the real earnings of metro workers had surpassed their 1979 levels. As a result, the

already wide gap between the earnings of nonmetro and metro workers grew to 25 percent.

An analysis by Lucy Gorham and Bennett Harrison of the Massachusetts Institute of Technology examined how many workers are paid wages that would fail to lift a family of four out of poverty even if the workers were employed full-time year-round. They found that the proportion of workers receiving wages at this low level was markedly higher in 1987 than in 1979, with the upward trend particularly sharp among nonmetro workers.

- In 1979, some 31.9 percent of nonmetro workers earned a wage too low to lift a family of four out of poverty even with full-time year-round work. This proportion grew to 42.1 percent in 1987, or more than two of every five workers.

- By contrast, 23.4 percent of metro workers earned a wage in 1979 that would not lift a family of four out of poverty, a proportion that increased to 28.9 percent in 1987.

- By 1987, nonmetro workers were nearly 50 percent more likely to receive wages too low to lift a family of four out of poverty than were metro workers.

The increase from 1979 to 1987 in the proportion of nonmetro workers earning wages too low to lift a family of four out of poverty occurred in every region of the nation, even in relatively prosperous regions such as New England. In three parts of the country -- the West North Central, East South Central, and West South Central regions -- the proportion of nonmetro workers earning wages too low to lift a family of four out of poverty approached half of all workers in 1987.

One development related to the growth in the proportion of nonmetro workers earning low wages -- and to the growing wage gaps between nonmetro and metro workers -- is the sharp decline in recent years in the purchasing power of the minimum wage. Nonmetro workers are much more likely than metro workers to receive wages at or near the minimum wage level.

- In 1987, some 7.2 percent of metro workers paid by the hour earned the minimum wage ($3.35 an hour) or less. Some 21.6 percent of metro workers earned less than $4.35 an hour.

- In comparison, 11.8 percent of nonmetro workers paid by the hour earned the minimum wage or less, while 32.2 percent -- or nearly one in every three -- earned less than $4.35 an hour.

The $4.35-an-hour benchmark is significant. In the 1960s and 1970s, full-time year-round work at the minimum wage generally lifted a family of three above the poverty line. The minimum wage has not been raised since January 1981, however, and full-time year-round work at the minimum wage now leaves a family of three some $2,900 below the poverty line. Had the minimum wage continued to provide a full-time worker enough income to lift a family of three out of poverty, it would have been approximately $4.35 in 1987.

The Role of Education

It is well known that poverty is much higher among those with less education than among those with higher educational levels. For example, the poverty rate among nonmetro adults who have not graduated from high school is more than triple the rate among nonmetro adults who have attended college.

While adults with less education are more likely to live in poverty, and while average education levels are lower in nonmetro than in metro areas, other factors suggest that low education levels only partially explain the higher poverty rates among workers in nonmetro areas.

For example, among groups with similar education levels, poverty rates differ between metro and nonmetro areas. Poverty rates are much higher in nonmetro areas than in metro areas both for adults with some college and for those who have completed high school.

In addition, the *increase* in poverty among the nonmetro poor from 1978 to 1987 cannot be explained by falling education levels, since education levels in nonmetro areas increased during this period.

- In 1987, some 69.1 percent of all nonmetro adults had graduated from high school or attended college. The comparable figure for 1978 was 61.6 percent.

- In 1987, more than half of all poor nonmetro adults -- or 51.5 percent -- had completed high school or gone on to college, compared with 34.9 percent in 1978.

This is not to suggest that more or better education has no role in reducing poverty among nonmetro workers. In fact, although levels of education have increased since the late 1970s, the levels of education required by the new jobs created in the economy may have increased at an even faster pace. Furthermore, the comparatively low levels of education and skills of workers in many rural areas may make some employers less likely to locate there.

Inadequate education and skills do contribute to the high poverty rates of nonmetro working families, but they are just two of a number of important contributing factors, which also include fewer job opportunities and lower wages than in metro areas.

Benefit Reductions Affecting Low Income Working Families

Many factors influencing the number of working poor in this country are not driven primarily by government policies. Nevertheless, government policies have played a significant role in increasing the ranks of the working poor. The lack of any increase in the federal minimum wage since 1981 is one factor. A second is cutbacks during the 1980s in several key programs for low income households. Most analysts have concluded that the single group hit hardest by the budget cuts was the working poor.

One of the programs cut most sharply was Aid to Families with Dependent Children (AFDC), where the largest reductions were explicitly aimed at mothers who worked but still had low incomes. A 1985 study by the General Accounting Office found that the federal changes in AFDC eligibility provisions enacted in 1981 terminated 440,000 low income working families from the program.

In addition to the 1981 changes in eligibility provisions, the level of AFDC benefits and the income eligibility limits for AFDC have fallen in the 1980s in all but a few states, continuing a trend that began in the early 1970s. In most states, a working mother may now have earnings that fall far below the poverty line, but are still too high to qualify for AFDC.

- In 1976, a mother with two children and with wages equal to 75 percent of the poverty line would have qualified for AFDC benefits in 47 states.

- By 1988, this same mother would have received AFDC benefits in only 13 states, few of which are rural states.

A second program that has undergone substantial reductions is unemployment insurance. Poor workers who are employed for part of the year and then lose their jobs are less likely to receive aid than in the past.

In 1988, only 31.5 percent of unemployed workers, or fewer than one in three, received unemployment insurance in an average month, the same coverage rate as in 1987. This coverage rate is the lowest recorded in the program's history.

The decline in unemployment insurance coverage has been sharper in nonmetro than metro states. Nonmetro states now have substantially lower coverage rates.

- In five of the 10 most rural states, unemployment insurance coverage declined by about one-third or more from 1979 to 1988. By contrast, coverage did not decline this sharply in any of the 10 most urban states.

- In the 10 most rural states, an average of 28.7 percent of jobless workers received unemployment insurance benefits in 1988. In the 10 most urban states, by contrast, an average of 40.2 percent received benefits.

Federal budget reductions enacted in 1981 severely curtailed the "extended unemployment insurance program" for workers unemployed more than 26 weeks and still looking for work. These reductions contributed to the drop in unemployment insurance coverage. It is likely that a disproportionate number of the long-term unemployed reside in nonmetro areas. State reductions in the basic unemployment insurance program throughout the 1980s also lowered coverage rates.

Unemployed people not only have substantially less income security than in the past, they also get less help finding a job. Federal employment and training programs have been sharply reduced during the 1980s. Funding for these programs decreased by more than half, or 57 percent, from fiscal year 1981 to fiscal year 1989, after adjusting for inflation.

Conclusion and Policy Recommendations

Many of the nonmetro poor keep their end of society's bargain: they find employment and try to earn their way out of poverty. But they are unable to do so.

Despite the economic recovery, poverty rates remain high among nonmetropolitan workers. These high poverty rates reflect the unevenness and weakness of the recovery in many rural areas. The unemployment rate has dropped less among nonmetro workers than among metro workers, and earnings and wages of nonmetro workers remain below the levels of the late 1970s, once inflation is taken into account.

Changes in government policies have contributed to the income problems of the nonmetro working poor. Policy reforms -- many of which lie outside the welfare system -- could improve the returns from working, thereby raising the standard of living of the working poor and strengthening work incentives. Such policies would disproportionately benefit the nonmetro poor, because they are overrepresented among the working poor. Income-based policies to assist the nonmetro working poor, including changes in tax policies and the minimum wage, will be the subject of a report issued later this year by the Center on Budget and Policy Priorities.

PART I

Profile of the Nonmetro Working Poor

I. THE EXTENT OF WORK BY THE NONMETRO POOR

More than half of the rural or "nonmetropolitan" poor who head families work at some point during the year.[1] Nearly two of every three of the nonmetro poor live in a household where at least one member is a worker. Many of these workers are employed either full-time year-round or for most of the year.

- Some 54.7 percent of all nonmetro family heads living in poverty in 1987 (the latest year for which poverty data are available) -- or 1.1 million people -- worked for all or part of the year.

- Some 9.1 million people in nonmetropolitan areas lived in poverty in 1987. Of these, an estimated 5.8 million -- or nearly two of every three -- lived in a household where at least one household member worked during the year.[2]

- Nearly one in five (18.8 percent) of all nonmetro poor family heads worked full-time year-round.

[1]Much of the analysis here is based on an examination of the work experience of people who head families, or "family householders," as the Census Bureau calls them. Family householders constitute only a portion of the working poor. The working poor also include poor people who work but are not the head of their family, and poor workers who do not live in families (e.g., people living alone). The focus here is on family householders both because more data are available on them than on other working poor people and also because the family householder, as the primary source of earnings for most families, is a key individual in assessing the relationship between work and poverty.

[2]The number of nonmetro families in which the householder works is included in published U.S. Census Bureau data. To estimate the number of nonmetro people living in households in which at least one household member worked, the author made a series of calculations, based on Census data.

Definition of Nonmetropolitan

In this paper, the terms "urban," "metropolitan" and "metro" are used synonymously to describe those areas designated by the Census Bureau as metropolitan statistical areas (MSA). The Census Bureau defines a metropolitan statistical area as "a geographic area consisting of a large population nucleus, together with adjacent communities which have a high degree of economic and social integration with that nucleus. The definitions specify a boundary around each large city so as to include most or all of its suburbs. Entire counties form the MSA building blocks, except in New England where cities and towns are used....An area qualifies for recognition as an MSA if (1) it includes a city of at least 50,000 population, or (2) it includes a Census Bureau-defined urbanized area of at least 50,000 with a total metropolitan population of at least 100,000 (75,000 in New England)." (Bureau of the Census, U.S. Department of Commerce, *Poverty in the United States: 1986*, Series P-60, No. 160, June 1988, p. 151)

The terms "rural," "nonmetropolitan" and "nonmetro" are used to describe those areas that the Census Bureau designates as being outside a metropolitan statistical area.

- The 1.1 million poor family heads who worked during the year worked an average of 36 out of the 52 weeks of the year.

Moreover, a substantial proportion of poor family heads who do *not* work are people who are ill, disabled, or elderly. Census data show that half (49.4 percent) of all nonmetro poor family heads who did not work in 1987 failed to work because they were ill, disabled, or retired.[3]

Individuals who are ill, disabled, or retired would not normally be deemed by society as among those who should be expected to work. Among those nonmetro poor family heads who are *not* ill, disabled, or retired, the vast majority do work.

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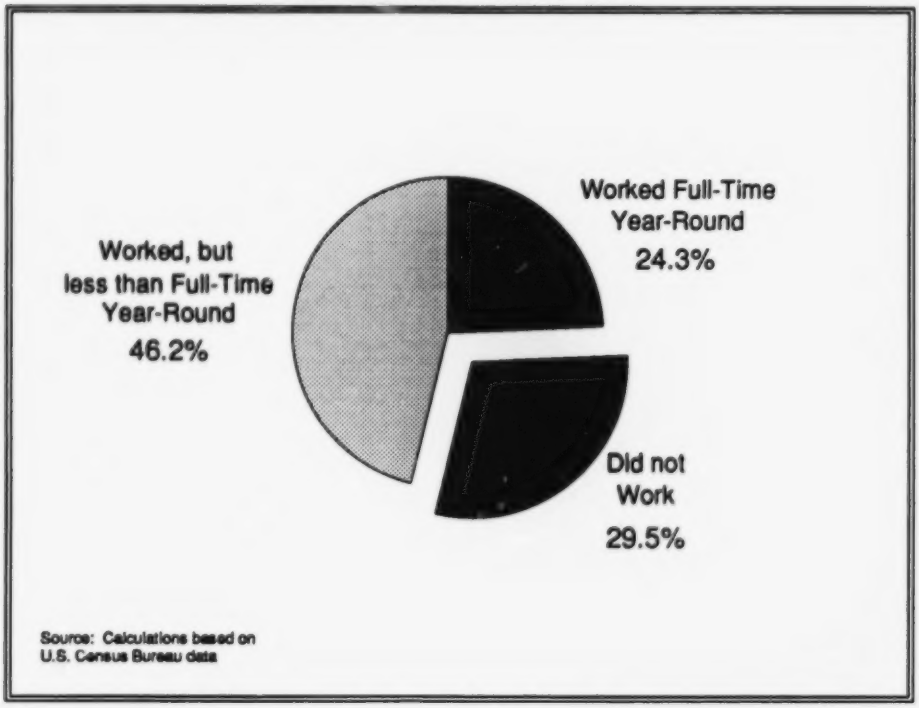
[3]These data are based on what family householders reported to the Census Bureau as their main reason for not working. In the example cited here, 31.9 percent said their main reason for not working was that they were ill or disabled, while 17.5 percent said their main reason was that they were retired.

Available Census Bureau data do not indicate what proportion of the retired family householders were elderly, but the number of retired nonmetro family householders in poverty (165,000) was less than the number of elderly nonmetro family householders who were poor (251,000). This indicates that the retired category does not reflect substantial numbers of premature retirements.

- In 1987, seven of every ten (70.5 percent) of all nonmetro poor family heads who were not ill, disabled, or retired worked for all or part of the year (see Figure 1).

- Nearly one of every four (24.3 percent) nonmetro poor family heads who were not ill, disabled, or retired worked full-time year-round.

Figure 1
Employment Status of Nonmetro Poor Family Householders Who Were Not Ill, Disabled, or Retired, 1987



Many other family heads who did not work failed to do so because of other responsibilities or because they sought but were unable to find employment.

- Of those who did not work -- and were not ill, disabled, or retired -- nearly one-third (29.8 percent) looked for work but could not find it, while three-fifths (59.5 percent) were "keeping house." A large

fraction of those "keeping house" were single-parents caring for young children.[4]

- In addition, of those who did work but for only part of the year, about half (49.6 percent) reported that their lack of full-year employment was due to their inability to find year-round work.

Race

Work is widespread among both the nonmetro poor who are white and those who are black. Among both groups, a substantial majority of the poor family heads who would be expected to work do in fact work.

- In nonmetro areas, three-quarters (74.8 percent) of all poor white family heads who were not ill, disabled, or retired worked in 1987.

- Nearly three-fifths (58.8 percent) of all poor black nonmetro family heads who were not ill, disabled, or retired were employed.[5]

Family Type

Work is also widespread in nonmetro areas among both two-parent and single-parent families that are poor. The heads of poor two-parent families are especially likely to work, with the vast majority working in 1987. But, surprisingly, the majority of the heads of poor single-parent families who were not ill, disabled, or retired, also worked for part or all of the year.

- Nearly all (85.6 percent) of poor heads of nonmetro two-parent families who were not ill, disabled, or retired worked in 1987.

- The majority (53.0 percent) of all poor heads of nonmetro single-parent families who were not ill, disabled, or retired also worked. Of

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[4]Among all poor family heads who did not work and were not ill, disabled, or retired, nearly two in five (38.2 percent) were single mothers who were "keeping house" and who had children under the age of six. (These data cover family heads in both nonmetro and metro areas; data just for nonmetro areas are not available.)

[5]Among *all* poor white family heads in nonmetro areas (including those who were ill, disabled, or retired) three-fifths (58.9 percent) worked in 1987. Among all poor black family heads in nonmetro areas, 43.1 percent worked in 1987.

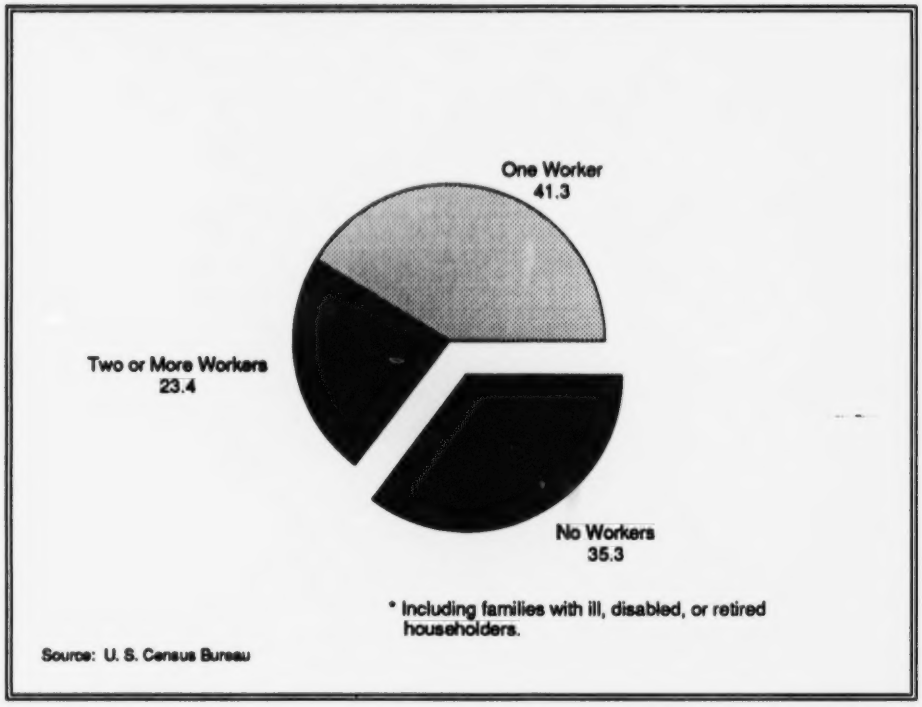
those who did not work, 72.4 percent were "keeping house." Many of those keeping house had young children.

Work Effort Among All Family Members

The above data actually *understate* the extent of work among the nonmetro poor because they reflect only the work performed by the family head. In many nonmetro poor families, other members of the family work as well. When work by *all* family members is considered, the extent to which nonmetro poor families work is found to be even greater (Figure 2).

- In 1987, nearly two-thirds (64.6 percent) of all nonmetro poor families (including those with ill, disabled, or retired family heads) had at least one worker.

Figure 2
Workers in Poor Nonmetro Families*



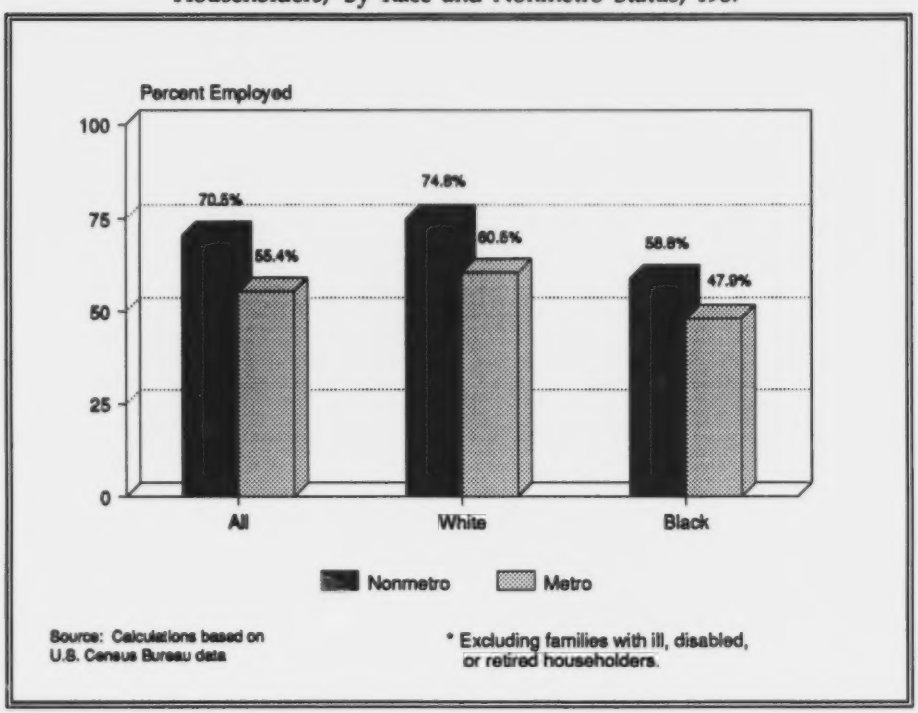
- Nearly one-fourth (23.4 percent) of all nonmetro poor families had two or more workers.

- Many of the families without workers are families headed by individuals who are elderly, disabled, or ill, or are single-parents caring for very young children. For example, one-quarter (24.5 percent) of all nonmetro poor families without any workers were families headed by a person 65 years of age or older.[6]

Nonmetro vs. Metro

This prevalence of work among poor families that are not ill, disabled, or retired is a striking feature of nonmetro poverty. Large numbers of the metro poor work as well, but the proportion of the poor who are employed is significantly higher in nonmetro areas (Figure 3).

Figure 3
Prevalence of Work Among Poor Family Householders,* by Race and Nonmetro Status, 1987



[6]Data are not available on the proportion of such families that consists of families headed by an individual who is disabled, ill, or a single-parent with a young child.

- In metropolitan areas, 55.4 percent of all poor family heads who were not ill, disabled, or retired were employed in 1987 -- compared to 70.5 percent in nonmetropolitan areas.

- In metro areas, 60.5 percent of the poor white family heads who were not ill, disabled, or retired were employed, and 47.9 percent of poor black family heads who were not ill, disabled, or retired worked. In nonmetro areas, the comparable figures were 74.8 percent and 58.8 percent.

- More than half of all poor families in metro areas (54.1 percent) had at least one worker. As noted, among poor families in nonmetro areas, nearly two-thirds (64.6 percent) had at least one worker.

Persistence of Poverty

Also of note is the length of time that the working poor remain in poverty in nonmetropolitan areas. While, on average, the working poor remain in poverty for a shorter duration of time than do the nonworking poor, a significant fraction of the nonmetro working poor are stuck in poverty for extended periods. Moreover, a substantial proportion of *all* long-term poor households in rural areas consists of working families.

In one study of long-term poverty in nonmetro areas, researchers from the U.S. Department of Agriculture defined "persistently poor" people as those who lived in poverty for at least three of the five years from 1978 to 1982. The researchers then examined the characteristics of the families in the study during a single year of this period (1981).

- The researchers found that of all persistently poor families in nonmetro areas, nearly half (49.1 percent) had one or more workers in 1981 -- and one in six (15.8 percent) contained two or more workers in 1981.[7]

The Agriculture Department researchers also discovered that of all nonmetro working families that were poor in at least one of the years during this five-year period, 27 percent lived in poverty for at least three of the five years. (A working family is defined as a family with one or more workers in 1981.)

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[7]Peggy J. Ross and Elizabeth S. Morrissey, U.S. Department of Agriculture, "Persistent Poverty among the Nonmetro Poor," paper presented to Southern Rural Sociological Association, Orlando, Florida, February 4, 1986.

A second analysis of persistent poverty[8] provides further confirmation that many of the long-term poor in rural areas are people who work. In this analysis, a 10-year period was examined (1974-1983), and households were considered to be "persistently poor" if their incomes fell below the poverty line in at least *eight of the 10 years.* The analysis also examined the characteristics, during a single year (1979), of those households that were persistently poor.

The analysis found that a large majority of the persistently poor households in rural areas that were not headed by an elderly or disabled individual were households in which at least one person worked at least half time in 1979.[9] (In this analysis, rural areas were defined as counties that were "completely rural" or that had urban populations of less than 20,000 and were not adjacent to metropolitan areas. This definition covers fewer areas than the Census definition of a "nonmetropolitan area"; wider population dispersion is needed to be classified as "rural" under this definition.)

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[8]Greg J. Duncan and Terry Adams, "Two Background Tables on Persistent Rural Poverty from the Panel Study of Income Dynamics," presented at the Rural Poverty conference of the Aspen Institute Rural Economic Policy Program, November 1988.

[9]Among all rural households classified as persistently poor in this analysis, 49 percent were headed by an elderly person and 47 percent by a disabled person, while 36 percent had a person employed at least half of the time. There is some overlap among these three groups. If the very conservative assumption is made that just half of all persistently poor rural households were households that were headed by either an elderly or a disabled person and that did not have a person employed at least half-time, then the data indicate that 72 percent of the persistently poor rural households not headed by an elderly or disabled person -- or nearly three out of every four such householders -- included a worker employed at least half time.

II. POVERTY RATES AMONG WORKERS IN NONMETRO AREAS

The data in the first chapter of this report indicate that many of the nonmetro poor are people who work but remain in poverty. In this chapter, the working population in nonmetro areas is examined more closely. Two questions are considered: how likely is it that various categories of nonmetro workers will fall into poverty? And are nonmetro workers more likely or less likely than in the past to be poor?

Despite the long economic recovery since the 1981-1982 recession, poverty rates remain high among nonmetro workers. In 1987, their poverty rates were well above the levels of the late 1970s, even though national economic indicators (such as the unemployment rate) had returned to 1970s levels.

Economic Conditions and Poverty Rates

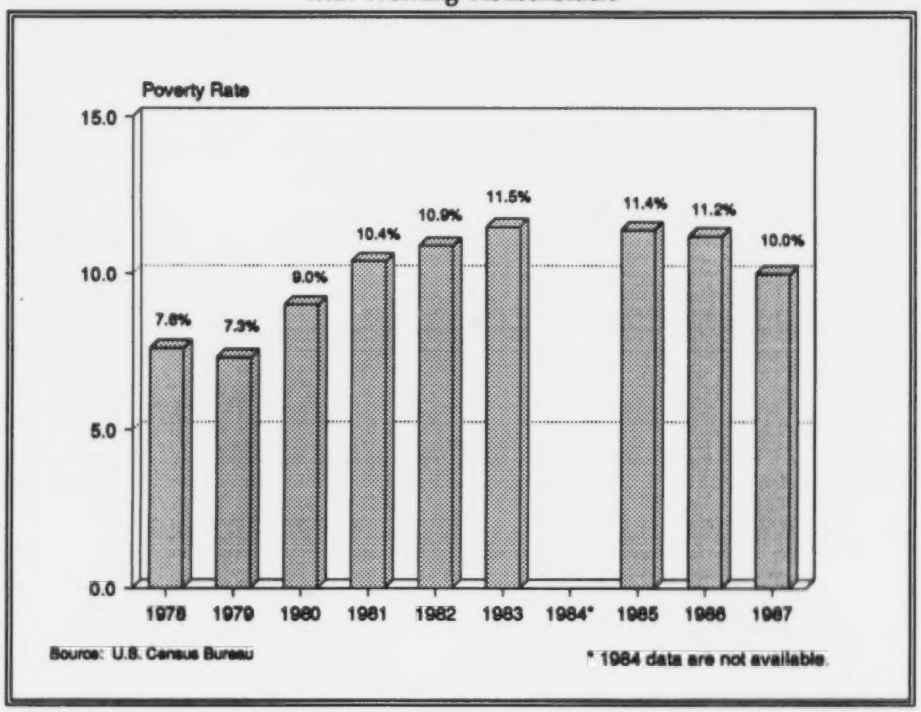
The proportion of workers living in poverty tends to rise and fall with overall economic trends. During recessions, more of those who have jobs are likely to be employed for part of the year rather than for all of the year, and overall levels of wages are more likely to fall. As a result, the proportion of workers who fall below the poverty line tends to rise. By contrast, during recoveries, workers are more likely to be employed throughout the year, and wages are more likely to increase. Accordingly, the proportion of workers who are poor tends to decline.

Consistent with these trends, the poverty rate among both metro and nonmetro workers rose sharply during the back-to-back recessions of the early

1980s and then declined during the ensuing economic recovery. Despite the lengthy recovery, however, poverty rates among nonmetro workers are higher now than they were during the recovery of the late 1970s (Figure 4).

Figure 4

Poverty Rate of Nonmetro Families
with Working Householders



Poverty rates for 1987 (the latest year for which poverty data are available) can be compared to those for 1978. Both years represent similar points in the business cycle – both were advanced stages of economic recoveries with very similar national unemployment rates (6.1 percent in 1978 and 6.2 percent in 1987). Comparing the poverty rates for these two years thus provides information about how nonmetro workers have been faring during the current economic recovery as compared to how they fared during the recovery of the late 1970s.[10]

[10]Even though the national unemployment rate was essentially the same in 1987 as in 1978, the nonmetro unemployment rate of 7.2 percent in 1987 was significantly higher than the nonmetro rate of 5.8 percent in 1978. Differences in nonmetro and metro unemployment rates are discussed in detail in Chapter IV.

The results of the comparison between 1978 and 1987 paint a disappointing picture:

- In 1978, one in every 13 nonmetro families in which the family head worked fell below the poverty line. The poverty rate for these families was 7.6 percent.

- In 1987, however, the poverty rate for these families was nearly one-third higher, as one of every ten (10.0 percent) nonmetro families in which the family head worked was poor.[11]

Racial Characteristics

The increases in poverty were substantial among both white and black working families in nonmetro areas (Figure 5).

- The poverty rate among nonmetro white families in which the family head worked jumped from 6.4 percent in 1978 to 8.5 percent in 1987, an increase of about one-third.

- Among black families in which the family head worked, some 23.7 percent lived in poverty in 1978 – already a very high rate.

  By 1987, this rate had climbed to 27.8 percent. In other words, *more than one of every four black nonmetro families in which the family head*

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[11]Two points should be noted. First, between 1983 and 1985, the Census Bureau changed the areas it designated as metropolitan and nonmetropolitan, moving about 28 percent of the population formerly designated as nonmetro into the metro category. (No metro/nonmetro data were published by the Census Bureau for 1984.) It is likely that the areas whose designation was changed were somewhat more prosperous than the areas that remained in the nonmetro category. As a result, the redesignation could be expected to have the effect of raising the poverty rates for the nonmetro areas.

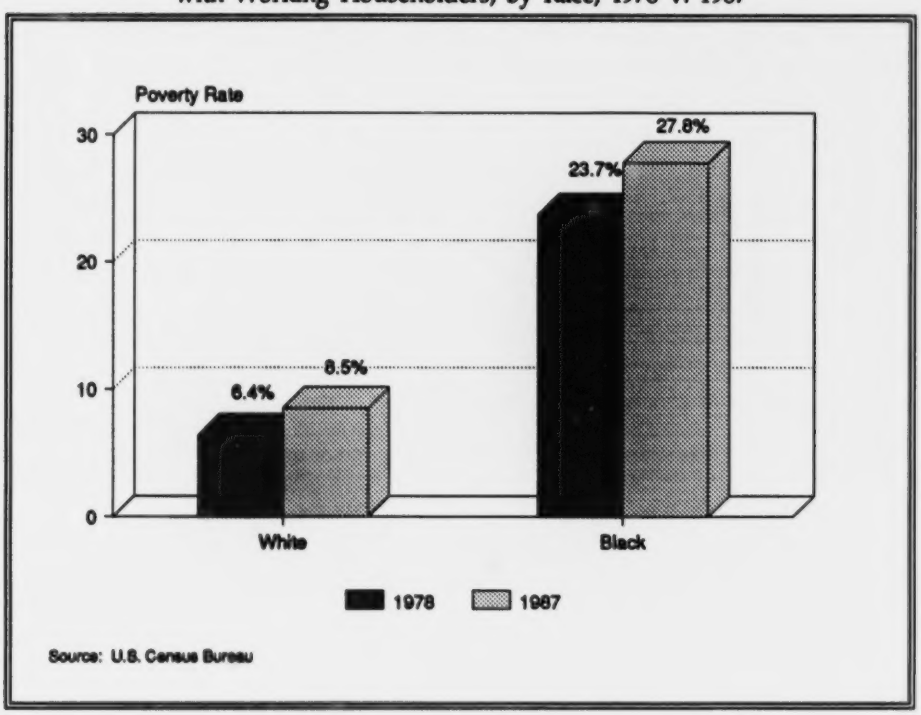
However, from 1983 to 1985, the poverty rate among both metro and nonmetro families in which the head worked remained stable. Among such metro families, the poverty rate equaled 6.3 percent in both years; among such nonmetro families, the poverty rate equaled 11.5 percent in 1983 and 11.4 percent in 1985. By this comparison, the redesignation does not appear to account for a significant part of the 1978 to 1987 increase in poverty rates among nonmetro families in which the head worked.

The second point is that although the poverty rate for nonmetro workers was higher in 1987 than in 1978, there was also an increase in the poverty rate for non-workers in nonmetro areas. Some 23.9 percent of nonmetro families whose head did not work lived in poverty in 1978; this figure increased to 25.6 percent in 1987. As a result of these concurrent increases, the nonmetro working poor comprised about the same proportion of the overall nonmetro poor population in 1987 as they did in 1978. In 1987, some 54.7 percent of all poor nonmetro families were headed by a person who had worked during the year. In 1978, some 55.6 percent of all poor nonmetro families were headed by a person who worked.

worked was living below the poverty line in 1987. (That this rate is more than triple the 8.5 percent poverty rate for nonmetro white working families suggests that limited or low wage job opportunities may be all that are available to many nonmetro black workers.)

- The proportion of black families in which the family head worked full-time year-round but the family was still poor stayed about the same in 1978 and 1987, equaling 13.6 percent in 1978 and 14.1 percent in 1987. Still, it is striking that one of every seven nonmetro black families in which the family head worked full-time year-round fell below the poverty line. This, too, is more than triple the comparable poverty rate for nonmetro white families. (Of the nonmetro white families in which the family head worked full-time year-round, 4.1 percent were poor in 1987.)

Figure 5
Poverty Among Nonmetro Families
with Working Householders, by Race, 1978 v. 1987



Family Type

Poverty rates are substantially higher among nonmetro single-parent families that work than among working two-parent families. Single parents are generally able to work fewer hours, are likely to earn lower wages, and are less likely to have their income supplemented by other workers in the family.

- Nearly one in three (31.5 percent) nonmetro single-parent families in which the family head worked fell below the poverty line in 1987. By contrast, the poverty rate was 7.3 percent for nonmetro two-parent families in which the family head worked.

Even though poverty *rates* are higher among single-parent families than among two-parent families, far more of the working poor live in two-parent families than in single-parent families because there are so many more two-parent families.

- Almost two-thirds (65.1 percent) of the working poor families in nonmetro areas are two-parent families.

Full-time Working Poor Families Face Severe Poverty

Adding to the concern over the extent and growth of poverty among nonmetro working families is the fact that those poor nonmetro families which rely solely on earnings often are *worse off* than many other poor nonmetro families. In 1987, the average income of poor nonmetro families that received all of their income from work was more than $350 lower than the average income of poor families that received part of their income from working and part from other sources. These data indicate that working poor families that do not receive government assistance often face severe income deficits.

- The average income of poor nonmetro families whose income came entirely from earnings equaled $6,094 in 1987. This was lower than the average family income of poor nonmetro families that had some income from earnings and some from other sources; the average income of those families was $6,447.

- The average income of poor nonmetro families whose income came entirely from earnings was more than $2,962 below the poverty line for a family of three in 1987 and $5,500 below the poverty line for a family of four. (The poverty lines in 1987 were $9,056 for a family of three and $11,611 for a family of four. In 1987, the average size of all poor nonmetro families was 3.44 individuals.)

Nonmetro vs. Metro

Given these high poverty rates among nonmetro working families, it should not be surprising that poverty rates for working families are higher in nonmetro than in metro areas. What is striking is the magnitude of the difference. *Poverty rates among nonmetro working families are about double the rates among metro working families.* In other words, a family in which the household head works is about twice as likely to be poor in nonmetro locations as in metro locations. This relationship characterizes poverty rates among both whites and blacks.

- As noted earlier, in nonmetro areas, one of every 10 families in which the family head worked was poor in 1987. By contrast, one in every 18 such families was poor in metro areas.

- Among families in which the family head works full-time year-round, the poverty rate in nonmetro areas was more than double the rate in metro areas.

Table I

Poverty Rates Among Workers,
Nonmetro v. Metro, 1987

	Poverty rates among families in which the family head works	Poverty rates among families in which the family head works full-time year-round
Nonmetropolitan	10.0%	4.7%
Metropolitan	5.7	2.2
Nonmetro Blacks	27.8	14.1
Metro Blacks	15.5	5.1
Nonmetro Whites	8.5	4.1
Metro Whites	4.5	1.9

Regional Analysis

These patterns -- poverty rates for nonmetro workers surpassing those for metro workers, and poverty rates for nonmetro workers being higher in 1987 than in the late 1970s -- hold for every section of the country, according to a recent analysis of Census Bureau data by researchers at the Massachusetts Institute of Technology.[12] The M.I.T. researchers studied the poverty status of *all* family members (not just heads of families) with earnings, comparing the poverty rates for metro and nonmetro workers in each of the Census Bureau's nine geographic divisions.[13]

Table II indicates that there is a significant difference between the poverty rates among workers in nonmetro and metro areas in every section of the country. Even in the more prosperous regions of the country, such as New England, the nonmetro poverty rate among workers exceeded the metro rate by a substantial margin.

The nonmetro poverty rate among workers rose in every section of the country from 1979 to 1987, as Table III indicates.[14] In some areas, the increase was modest; for example, in New England it equalled 1.2 percentage points. But in five divisions of the country -- the Mid-Atlantic, West North Central, West South Central, Mountain, and Pacific -- the poverty rate for nonmetro workers increased by more than half from 1979 to 1987.

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[12]These data were tabulated by Lucy Gorham and Bennett Harrison of the Massachusetts Institute of Technology from the Census Bureau's Current Population Survey and were presented at the Rural Poverty conference of the Aspen Institute Rural Economic Policy Program, November 1988.

[13]The nine Census Bureau divisions are: New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont); Middle Atlantic (New Jersey, New York, and Pennsylvania); East North Central (Illinois, Indiana, Michigan, Ohio, and Wisconsin); West North Central (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota); South Atlantic (Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia); East South Central (Alabama, Kentucky, Mississippi, and Tennessee); West South Central (Arkansas, Louisiana, Oklahoma, and Texas); Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming); and Pacific (Alaska, California, Hawaii, Oregon, and Washington).

[14]The MIT researchers compared 1987 and 1979 data, while the earlier analysis in this report compare 1987 and 1978 data. However, using 1979 data rather than 1978 data should not distort the results because the national nonmetro poverty rate for workers was very similar in 1978 and 1979.

Table II

Poverty Rates Among Nonmetro and Metro
Family Members Who Work by Region, 1987

	Nonmetro Rate	Metro Rate
New England	5.3%	2.9%
Mid-Atlantic	6.6	4.0
East North Central	7.1	5.8
West North Central	7.9	6.0
South Atlantic	8.9	6.1
East South Central	11.0	8.2
West South Central	14.3	8.4
Mountain	11.3	7.1
Pacific	10.6	6.1

Table III

Poverty Rates Among Nonmetro Family Members
Who Work, 1979 and 1987

	1979	1987
New England	4.1%	5.3%
Mid-Atlantic	4.3	6.6
East North Central	5.0	7.1
West North Central	4.8	7.9
South Atlantic	7.4	8.9
East South Central	8.6	11.0
West South Central	9.1	14.3
Mountain	7.3	11.3
Pacific	6.1	10.6

III. POVERTY AMONG NONMETRO WORKERS VARIES BY OCCUPATION

Poverty rates for workers vary dramatically depending on the occupation in which they are employed. In nonmetro areas, poverty rates are exceptionally high among those employed in service positions and in farming. In 1987, at a time when one in every 10 nonmetro family heads who worked was poor, more than one in every four nonmetro service workers was poor, and nearly one in every five workers employed in farming, forestry and fishing occupations lived in poverty.

Table IV

Poverty Rates of Nonmetro Working Family Heads,
By Occupation of Longest Job, 1987

	Poverty Rate
All occupations	10.0%
Managerial and professional specialty	3.5
Technicians, sales & administrative support	7.8
Service	26.7
Farming, forestry & fishing	19.0
Precision production, craft & repair	7.0
Operators, fabricators & laborers	9.3

These high poverty rates reflect the low wages that often prevail in service occupations as well as the low earnings of many workers (both employees and the self-employed) in farm occupations. These poverty rates also reflect the facts that many service jobs are for less than 40 hours a week and many farm jobs last only part of the year.

Since some occupations include more workers than others, the *distribution* of poor workers is somewhat different from the data in the preceding table. For example, a fairly large proportion of all nonmetro workers are operators, fabricators and laborers, so that even though their poverty rate is relatively low (9.3 percent), they constitute a sizable fraction of the nonmetro working poor (21.8 percent). In particular, poor nonmetro workers are concentrated in three occupational categories: services; farming, forestry and fishing; and operators, fabricators and laborers. Altogether, two-thirds of the nonmetro working poor can be found in these three occupational categories.

Table V

Distribution of Poor Nonmetro Working Family Heads by Occupation of Longest Job, 1987

All occupations	100.0%
Managerial and professional specialty	6.8
Technicians, sales & administrative support	13.4
Service	24.6
Farming, forestry & fishing	18.6
Precision production, craft & repair	14.7
Operators, fabricators & laborers	21.8
Armed services	0.3

Agricultural Workers

Individuals employed in farm occupations constitute a category of the nonmetro working poor that has traditionally been the subject of attention.

For some of the working poor employed in farming occupations, the "working poor" categorization may be a bit misleading because of the volatility of income from farming. This is particularly true for the self-employed earner, who

may have little or no net earnings one year and substantial earnings the next. Their average income over the two years may be enough to provide for a reasonable standard of living, but they are categorized as poor in one of the two years. Data from 1986 and 1987 illustrate this point. The poverty rate for the farm, forestry and fishing occupations dropped substantially, from 26 percent to 19 percent, primarily reflecting the sharp swings in farm income that can occur from one year to the next.

Further, while nonmetro poverty is sometimes thought of as primarily farm poverty, this stereotype is inaccurate. Only a modest minority -- about one in five -- of the nonmetro working poor are employed in farm, forestry or fishing.

At the same time, however, farm poverty is quite significant. Even though net farm income in 1987 was the highest it had been since 1975 (adjusting for inflation), the farm poverty rate of 19 percent was still double that of other occupations. Moreover, while the working poor categorization of some self-employed farmers may be questionable, enduring poverty and difficult work conditions are faced by many migrant workers, other farm workers, and small farm operators.

PART II

Factors that Influence the Number of Working Poor

IV. UNEMPLOYMENT AND JOB GROWTH

The first three chapters of this report have provided a profile of the working poor in nonmetro areas. The remaining chapters examine why poverty is widespread among nonmetro working families, and why poverty rates among nonmetro workers were higher in 1987 than in the late 1970's.

That poverty rates among nonmetro workers are higher than a decade ago may seem puzzling, given the length of the current economic recovery and the job creation record of the U.S. economy. A number of factors help explain the spread of poverty among families in nonmetro areas.

During the current economic cycle, employment patterns have not been as positive in nonmetro areas as in metro areas. In nonmetro areas, the unemployment rate has been higher and job creation has been slower. These trends are examined in this chapter.

Declining wage levels (despite the recovery), low education levels, and reductions in government benefit programs affecting working families have also taken a toll. These topics will be examined in subsequent chapters.

The Link Between Unemployment and Poverty

The overall economic situation has a large effect on work and poverty in nonmetro areas. The poverty rate among nonmetro workers follows economic trends to a large degree, rising as unemployment rates increase and falling as unemployment rates decrease. For example, during the back-to-back recessions of the early 1980s, the poverty rate for nonmetro families with a working head rose

from 7.3 percent in 1979 to 11.5 percent in 1983. During the ensuing recovery, the poverty rate for these families fell to 10 percent in 1987, although the rate still remained well above its 1979 level.

To secure further evidence of the relationship between unemployment and poverty rates in nonmetro areas, it is possible to test statistically how much of the variation in poverty rates from year to year is associated with the variation in the unemployment rate. Such an examination of overall poverty rates (not the poverty rates just for workers) for the years 1973 to 1987 indicates the following:

- More than one-third (37 percent) of the variation in overall poverty rates by year *in metro areas* is associated with the variation in unemployment rates.[15]

- By contrast, a large majority (71 percent) of the yearly variation in overall poverty rates *in nonmetro areas* is associated with the variation in unemployment rates.

These data strongly indicate private sector developments and government policies that would lead to further reductions in the nonmetro unemployment rate would likely lead to reductions in nonmetro poverty as well.

The Unemployment Rate

It is thus good news for the nonmetro poor that in 1988 the nonmetro unemployment rate dropped to its lowest level since 1979. The nonmetro unemployment rate was 6.2 percent in 1988. In 1979, it stood at 5.7 percent.

Yet it also should be noted that the relatively high nonmetro unemployment rate at this stage of the recovery -- 6.2 percent in 1988, compared to 5.7 percent in 1979 at the equivalent stage of the last recovery -- is one of the reasons why the nonmetro poverty rate remains higher than in the late 1970s. (Other reasons include the deterioration of wages and cutbacks in government assistance.)

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[15]The statistical test used here is a "regression analysis," which attempts to measure the relationship between changes in one or more factors to a change in another factor. The regression used here contained two variables: the unemployment rate and the poverty rate. In technical terms, the "R-squared" test -- a test of how much of the variation in one variable is associated with the variation of other variable(s) -- equaled 37 percent in metro areas. If all the variation between the two variables would have been associated with each other, the "R-squared" would have been 100 percent.

Furthermore, although the nonmetro unemployment rate was lower than the metro unemployment rate through most of the 1970s, it is now higher than the metro unemployment rate (Figure 6).[16]

- Throughout the 1970s (with data available from 1973), the nonmetro unemployment rate was lower than the metro unemployment rate.
- Starting in 1977, however, the gap between the metro and nonmetro unemployment rates narrowed for three consecutive years. In every year since 1980, the nonmetro rate exceeded the metro rate.
- The nonmetro unemployment rate averaged 8.2 percent from 1980 to 1988, compared to a metro average of 7.3 percent.
- By 1986, the nonmetro unemployment rate of 8.3 percent was more than one-quarter higher than the metro rate of 6.6 percent.

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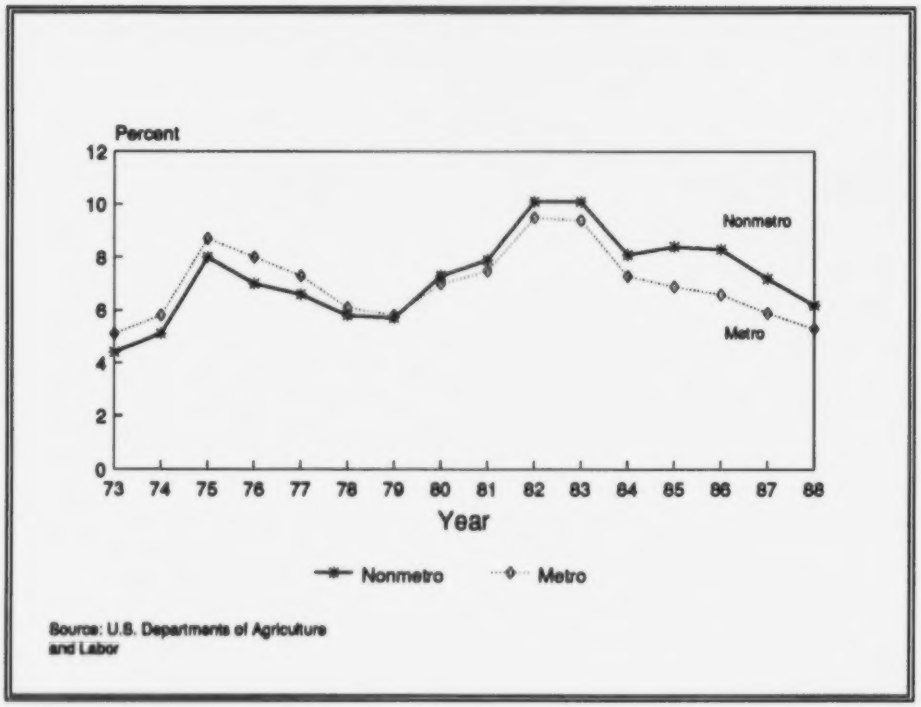
[16]This section compares the official metro and nonmetro unemployment rates for this time period. As mentioned in footnote 11, there was a shift in 1985 in the areas designated by the Census Bureau as metro and nonmetro. Specifically, the Census Bureau moved about 28 percent of the population formerly designated as nonmetro into the metro category. The areas whose designation was changed were somewhat more likely to be prosperous than the areas that remained in the nonmetro category, which suggests that the redesignation could have the effect of raising the unemployment rate by some amount for the nonmetro areas.

The increase in the nonmetro unemployment rate that results from this redesignation appears to be quite small, however. Between 1984 and 1985, the official nonmetro unemployment rate increased slightly, from 8.1 percent to 8.4 percent, while the official metro unemployment rate declined slightly, from 7.3 percent to 6.9 percent. If a consistent definition of metro and nonmetro counties is used -- that is, a definition that does *not* shift any of the population designated as nonmetro in 1984 into the population designated as metro in 1985 -- the trend in metro and nonmetro unemployment rates is very similar. Using this consistent definition, data from the U.S. Departments of Labor and Agriculture indicate that the nonmetro unemployment rate stayed the same between 1984 and 1985 (compared to a 0.3 percentage point rise under the official definition) and that the metro unemployment rate fell by 0.4 percentage points (the same fall that occured under the official definition).

In addition, using the consistent definition for nonmetro and metro, the nonmetro unemployment rate was substantially higher in 1987 (the latest year for which this "consistent" unemployment rate data are available) than in 1978, while the metro unemployment rate was somewhat lower in 1987 than in 1978. These results are very similar to the results that are derived when the "official" metro and nonmetro unemployment rates are used for these years.

Figure 6
Unemployment Rates
Nonmetro v. Metro
1973 to 1988



The data for 1987, 1988, and the first half of 1989 show some improvement in nonmetro areas. During this period, the nonmetro unemployment rate dropped at a faster pace than the metro rate. Nonetheless, the nonmetro unemployment rate continues to exceed the metro rate.

- The nonmetro unemployment rate dropped from 8.3 percent in 1986 to 6.2 percent in 1988. During this period, the metro unemployment rate dropped from 6.6 percent to 5.3 percent.

- For the first half of 1989, the nonmetro unemployment rate averaged 6.0 percent, a rate that remained above the metro average of 5.3 percent.

"Adjusted" Nonmetro Unemployment Rate Is Even Higher

The unemployment problems of nonmetropolitan workers are larger than those that emerge from a simple examination of unemployment rates. This is because the unemployment rate data exclude "discouraged workers" – unemployed individuals who would like a job but are not actively seeking employment because they do not believe job opportunities are available in their area. In addition, the unemployment rate data exclude "involuntarily part-time workers" – workers employed in part-time jobs who would prefer full-time positions but cannot find them.

Discouraged workers are not officially counted by the Labor Department as being part of the labor force, although some analysts argue that they should be included among those counted as unemployed. Involuntarily part-time workers are officially counted as being employed even though they are not fully employed.

Because the official unemployment rate does not count either of these groups as partially or fully unemployed, it understates the true extent of unemployment. This understatement is especially large in nonmetro areas. Nonmetro areas contain disproportionately large numbers of both discouraged workers and involuntary part-time workers. Poverty rates are likely to be high among both categories of workers.

- In 1988, there were 307,000 discouraged workers and 1.4 million involuntary part-time workers in nonmetro areas. If the discouraged workers are counted as unemployed, and if each of the involuntary part-time workers is counted as half unemployed (because they work part-time and are unemployed part-time), then the nonmetro unemployment rate for 1988 jumps from the "unadjusted" rate of 6.2 percent to an "adjusted" rate of 10.1 percent.[17]

- By contrast, if the metro unemployment rate is adjusted in the same manner, it rises much less – from 5.3 percent to 7.9 percent.

- The nonmetro unadjusted unemployment rate is 1.17 times the metro rate, but when the unemployment rates are adjusted to reflect discouraged and involuntary part-time workers, the gap between the nonmetro and metro rates widens considerably. The nonmetro adjusted unemployment rate is 1.28 times the metro rate.

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[17]Timothy S. Parker, U.S. Department of Agriculture, "Nonmetro Employment: Annual Averages, 1988," mimeo, February 27, 1989.

Counties with High Unemployment Rates

Furthermore, data from the U.S. Departments of Agriculture and Labor indicate that nonmetro areas are much more likely than metro areas to contain pockets of high unemployment.

- In 1988, only a small fraction (2.8 percent) of the metro labor force resided in a county with an unemployment rate of 10 percent or more.

- By contrast, nearly one of every seven people (13.4 percent) in the nonmetro labor force resided in a county with a double-digit unemployment rate. Labor force participants in nonmetro areas were nearly five times as likely as labor force participants in metro areas to live in a county with double-digit unemployment.

In fact, the majority of the labor force living in counties with double-digit unemployment rates lives in nonmetro areas, even though only a small minority of the overall labor force lives in nonmetro areas. Of the 6.2 million people in the labor force who lived in counties where the unemployment rate was 10 percent or greater in 1988, more than half (56.3 percent) lived in nonmetro counties -- even though only one-fifth (21.4 percent) of the overall labor force lived in these counties.

The proportion of the nonmetro labor force living in these high unemployment counties was sharply higher in 1988 than in 1979. Some 6.6 percent of the nonmetro labor force lived in a county with a double-digit unemployment rate in 1979. In 1988, this proportion was twice as high -- 13.4 percent.

These data suggest that the economic problems in a number of nonmetro areas have grown more intractable in the 1980s. These data are particularly significant because people living in counties with exceptionally high unemployment rates are more likely to face enduring income problems and high poverty rates.

Low Job Growth Rates

Another important economic indicator that influences both unemployment and poverty rates is the rate at which new jobs are created in the economy. Rapid growth in new employment opportunites can result in a healthy economy with rising standards of living and declining unemployment.

In recent years, a substantial number of new jobs have been created in the U.S. economy. Yet the job growth has been uneven, occuring in metropolitan areas to a greater degree than in nonmetropolitan areas. During the past decade, job creation in nonmetro areas has compared unfavorably to job creation in metro areas.

- In 1978, nonmetro employment growth was a healthy 5.4 percent. This exceeded the metro employment growth rate of 3.7 percent and marked the third straight year that nonmetro employment growth exceeded metro employment growth by one percentage point or more.

- After 1978, however, a different pattern began to emerge. In 1979, nonmetro employment growth was a scant 0.2 percent, while metro employment growth was a strong 3.9 percent. During the back-to-back recessions from 1979 to 1982, nonmetropolitan employment rose at the very slow average pace of 0.5 percent per year while employment in metropolitan areas rose at an average rate of 1.4 percent per year.

- From 1982 to 1987, during the recovery, nonmetro employment growth did accelerate, to an average rate of 2.0 percent per year. But this was still slower than the annual average growth rate of 2.8 percent in metro employment.

In 1988, nonmetro job growth was slightly faster than its average during the recovery, while metro job growth slowed. As a result, the nonmetro job growth rate of 2.25 percent in 1988 exactly equaled the rate for metro areas. Moreover, the nonmetro job growth rate for the first half of 1989 was greater than the metro rate. It remains to be seen, however, whether this is the start of a new trend or whether the decade-long pattern of greater job growth in metro than in nonmetro areas will resume in 1990 or subsequent years.

Industry Composition and Job Growth

One reason why nonmetro job growth has lagged behind metro job growth in the 1980s is that nonmetro area employment is more concentrated in industries that are experiencing decline and less concentrated in growing industries. In particular, nonmetro employment is more concentrated in two areas -- resource industries and routine manufacturing -- that have encountered very substantial problems since the late 1970s.

Resource industries include mining and agriculture. Routine manufacturing industries include older industries such as autos and textiles, and are distinguished from "complex manufacturing" industries (such as aircraft) in that routine industries require little skill training for workers to perform their jobs. The routine manufacturing sector now faces particularly intense competition from abroad, where individuals who lack training but can be paid very low wages are numerous.

Data compiled by David McGranahan of the U.S. Department of Agriculture[18] show the extent to which nonmetro workers are employed in troubled industries.

- In 1986, the proportion of nonmetro workers who were employed in resource industries (9.7 percent) was more than four times the proportion of metro workers (2.2 percent) employed in these industries. Nationwide, employment in resource industries declined slightly from 1979 to 1986 (Table VI).

- Similarly, the proportion of nonmetro workers employed in routine manufacturing was 14.5 percent in 1986, nearly double the proportion of metro workers in this area (8.8 percent). Nationwide, employment in routine manufacturing fell substantially -- by 11.7 percent -- from 1979 to 1986.

- By contrast, employment grew fastest during this period in producer services (industries such as banking or other business services "with at least some producers as clients"), increasing by 25.1 percent from 1979 to 1986. Nonmetro workers are *underrepresented* in producer services, with only 17.1 percent of nonmetro workers employed in producer services, compared to 27.1 percent of metro workers.

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[18]David A. McGranahan, "Rural Workers at a Disadvantage in Job Opportunities," *Rural Development Perspectives*, U.S. Department of Agriculture, Economic Research Service, June 1988, p. 10.

- Employment also ticked up by 2.9 percent in complex manufacturing. Nonmetro workers are also underrepresented in these industries, with 6.2 percent of nonmetro workers employed in complex manufacturing, compared to 10.3 percent of metro workers.

Table VI
Distribution of Workers by Industry

	Metro	Nonmetro	*Nationwide* employment changes, 1979 to 1986
Production sector			
Resource industries	2.2%	9.7%	-2.1%
Routine manufacturing	8.8	14.5	-11.7
Complex manufacturing	10.3	6.2	2.9
Producer services	27.1	17.1	25.1
Construction	6.2	6.6	15.7
Consumer services	45.4	45.9	17.6
Total	100.0	100.0	100.0

The concentration of nonmetro employment in industries undergoing decline is likely to have contributed both to declining wages and to more spells of unemployment. Both of these factors, in turn, are likely to have contributed to the rise in the ranks of the nonmetro working poor.

V. WAGE RATES

In examining the factors influencing the number of working poor, it is important to consider not only whether people are employed but also the wage levels at which they are paid. By this measure, the current economic recovery has a significant weakness. The proportion of jobs in nonmetro areas that fail to pay sufficient wages to lift working families out of poverty is now significantly greater than in the late 1970s.

This development is part of a larger trend: wage and earnings levels in nonmetro areas have deteriorated over the past decade. This erosion is one of the major factors that has contributed to the higher poverty rates among nonmetro workers in 1987 than in 1978.

Earnings Decline

Despite the economic recovery, the average nonmetro worker has earned less in recent years than in 1979, after adjustment for inflation. Moreover, the earnings gap between metro and nonmetro workers has widened substantially since the late 1970s.

An analysis by researchers at the U.S. Department of Agriculture found that the average earnings of nonmetro workers dropped from $18,429 in 1979 to $16,808 in 1982, and then rose back to $17,279 in 1986.[19] Thus, in 1986, four years

[19] T. Alexander Majchrowica and Linda M. Ghelfi, "Employment and Earnings in Nonmetro Industry, 1979-86," U.S. Department of Agriculture, Economic Research Service, Agriculture Information Bulletin Number 552, November 1988.

into the recovery, the average earnings of nonmetro workers were still *$1,150 below their 1979 level.* (All figures are in 1988 dollars).

The analysis also found that the earnings of nonmetro workers fell farther behind the earnings of metro workers during this period. Real earnings fell faster among nonmetro workers than among metro workers during the recessionary period from 1979 to 1982 and then rose more slowly during the recovery period. By 1986, the real earnings of metro workers had recovered all the ground lost since 1979 and surpassed their 1979 levels, in sharp contrast to the drop in real earnings among nonmetro workers.

With the earnings of nonmetro workers falling and the earnings of metro workers rising, the already wide gap between the earnings of nonmetro and metro workers grew still larger. In 1979, the average earnings of nonmetro workers were 20 percent below the average earnings of metro workers. By 1986, the gap had widened to 25 percent.

An analysis by researchers Lucy Gorham and Bennett Harrison of the Massachusetts Institute of Technology covered a slightly different timespan and used a slightly different methodology than the Agriculture Department researchers, but produced similar results.[20] Gorham and Harrison found that the average annual earnings of nonmetropolitan workers were $828 *lower* in 1987 than in 1979, after adjusting for inflation, while the average annual earnings of metropolitan workers were $1,062 *higher.* They found that the gap between the earnings of nonmetro and metro workers widened from 17 percent in 1979 to 26 percent in 1987.

In these studies, the earnings data represent total income received from work over the course of a year. These earnings can decline either because wages fall or because there is a decrease in the number of hours worked. Gorham and Harrison found that a substantial part of the fall in earnings of nonmetro workers has been due to a decline in the wages paid for each hour worked.

Gorham and Harrison used Census data to determine how many workers are paid wages so low that the wages would fail to lift a family of four out of poverty even if the workers were employed full-time year-round. They found that the proportion of workers receiving wages at this low level was markedly higher in 1987 than in 1979, with the upward trend particularly sharp among nonmetro workers. In 1987, more than two of every five workers in nonmetro areas

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[20]Lucy Gorham and Bennett Harrison, Massachusetts Institute of Technology, "Working Below the Poverty Line: The Growing Problem of Low Earnings across the United States," Prepared for the Ford Foundation and the Aspen Institute Rural Economic Policy Program, Draft, June 1989.

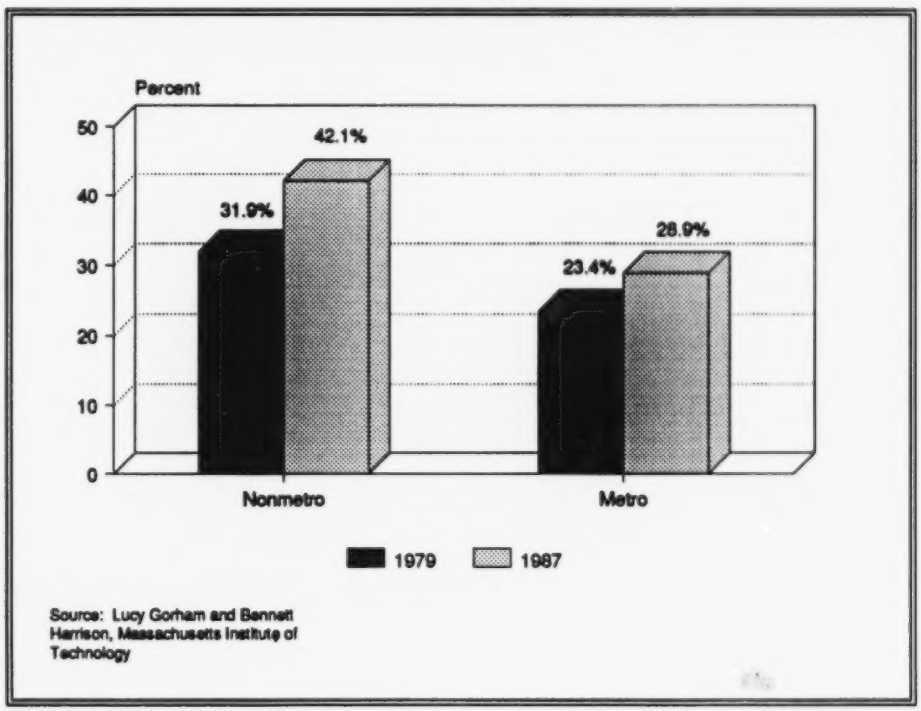
received wages so low that they would not lift a family of four out of poverty even if the worker was employed full-time year-round. This was far higher than the proportion in metro areas (Figure 7).

- In 1979, some 31.9 percent of nonmetro workers earned a wage too low to lift a family of four out of poverty even with full-time year-round work. This proportion grew to 42.1 percent in 1987.

- By contrast, 23.4 percent of metro workers earned a wage in 1979 that would not lift a family of four out of poverty, a proportion that increased to 28.9 percent in 1987.

Figure 7

Proportion of Workers Whose Wages Would Not Lift a Family of Four Out of Poverty, Even if Employed Full-Time 1979 v. 1987



- The proportion of workers earning a wage too low to lift a family of four out of poverty rose much more during this period in nonmetro than in metro areas. By 1987, nonmetro workers were nearly 50 percent more likely to receive wages this low than were metro workers.

The increase from 1979 to 1987 in the proportion of nonmetro workers earning wages too low to lift a family of four out of poverty occurred in every region of the nation. The smallest increase occurred in New England, but even in this booming section of the country, the proportion increased by 4.2 percentage points. In every other area of the country, the proportion increased by approximately 10 percentage points or more. In three areas of the country -- the West North Central, East South Central, and West South Central[21] -- the proportion of nonmetro workers earning wages too low to lift a family of four out of poverty approached one-half of all workers.

Table VII

Proportion of Nonmetro Workers Earning Wages That Would Not Lift a Family of Four with a Full-time Worker Out of Poverty

	1979	1987
New England	26.8%	31.0%
Mid-Atlantic	26.3	37.3
East North Central	27.6	39.0
West North Central	32.8	45.0
South Atlantic	33.4	43.1
East South Central	35.4	46.4
West South Central	38.6	47.0
Mountain	32.6	43.9
Pacific	26.8	36.4
Nation	31.9	42.1

Minimum Wage Workers

One development that appears to be related to the growth in the proportion of nonmetro workers earning low wages -- and also to the growing wage gaps between nonmetro and metro workers -- is the sharp decline in recent years in the purchasing power of the minimum wage. Nonmetro workers are much more likely than metro workers to receive wages at or near the minimum wage level. In 1987, just over one in five metro workers who were paid by the hour received

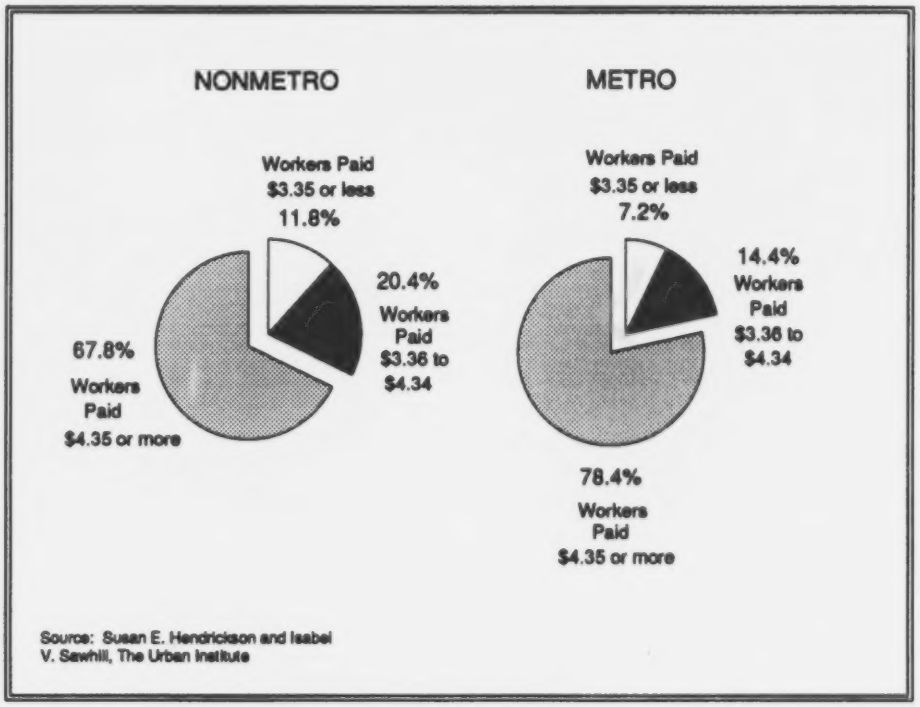
[21]See footnote 13 for a list of states by areas of the country.

wages at or near the minimum wage. By contrast, *nearly one in three* nonmetro workers paid by the hour received wages in this range (Figure 8).[22]

- In 1987, some 7.2 percent of metro workers paid by the hour earned the minimum wage ($3.35 an hour) or less, while 21.6 percent earned less than $4.35 an hour.

- In comparison, 11.8 percent of nonmetro workers paid by the hour earned the minimum wage or less, while 32.2 percent earned less than $4.35 an hour.

Figure 8
Proportion of Workers Paid by the Hour
Earning Wages At or Near the Minimum Wage, 1987
Nonmetro v. Metro


NONMETRO
Workers Paid $3.35 or less 11.8%
20.4% Workers Paid $3.36 to $4.34
67.8% Workers Paid $4.35 or more
METRO
Workers Paid $3.35 or less 7.2%
14.4% Workers Paid $3.36 to $4.34
78.4% Workers Paid $4.35 or more
Source: Susan E. Hendrickson and Isabel V. Sawhill, The Urban Institute

The $4.35-an-hour wage level is a significant benchmark. Throughout the 1960s and the 1970s, full-time year-round work at the minimum wage generally

[22]Susan E. Hendrickson and Isabel V. Sawhill, "Assisting the Working Poor," Changing Domestic Priorities Discussion Paper, The Urban Institute, May 1989, Table 7.

lifted a family of three above the poverty line. However, the minimum wage has not been raised since January 1981 – the longest stretch without an increase since the minimum wage was established in 1938. During the period since January 1981, consumer prices have risen 43 percent.

As a result, by 1987, full-time year-round work at the minimum wage left a family of three $2,100 below the poverty line (a shortfall that has grown to $2,900 in 1989). Had the minimum wage been maintained at a level that provided a full-time worker enough income to lift a family of three out of poverty, the wage standard would have been approximately $4.35 in 1987. Since the data show that nearly one-third of all nonmetro workers paid by the hour earned less than $4.35 an hour in 1987, it appears that a large fraction of these nonmetro workers have been affected by the lack of any adjustment in the minimum wage.[23]

[23]Not all of these low-wage workers paid by the hour would have been affected by a higher minimum wage level because some workers are exempted by law from minimum wage coverage. On the other hand, some other nonmetro workers likely would have been affected by a higher minimum wage standard. These workers include workers not paid by the hour who are exempt from minimum wage coverage but whose salaries largely reflect the minimum wage level, and workers earning slightly more than $4.35 an hour whose wages would have been somewhat higher if the minimum wage had been higher – because their wages, to some degree, are set relative to the level of the minimum wage.

VI. THE ROLE OF EDUCATION

One common explanation for higher poverty rates among workers in nonmetro areas than in metro areas is that their average education levels are lower. The argument is that individuals with less education have, on average, less-developed skills than individuals with more education, and are consequently less productive. Their low productivity, in turn, is said to lead to lower earnings and a higher poverty rate.

While there certainly is some link between low education levels, low productivity, and low earnings in nonmetro areas, the relationship is far from straightforward. Improving the education and skill levels of nonmetro individuals would help in relieving nonmetro poverty, but the data suggest that the likely effects should not be overstated and that by themselves, these improvements would not be likely to eliminate the large disparities between poverty rates among workers in nonmetro and metro areas.

Lower Education Levels Among Nonmetro Adults

Nonmetropolitan adults have, on average, fewer years of education than metropolitan adults (in this chapter, "adults" are defined as family household heads aged 25 or over).[24] A smaller proportion of nonmetropolitan adults than of

[24]This nonmetro versus metro discussion examines only the years of schooling completed and does not address the quality of the education provided. The quality of education in nonmetro areas is probably lower than the quality of education in suburban areas. The comparison is less clear between nonmetro and central city schools, because central city schools are often of poor quality.

metropolitan adults have some college education. A larger proportion are not high school graduates.

- In 1987, fewer than one in three, or 28.3 percent, of all nonmetro adults had completed one or more years of college. By contrast, in metro areas, more than two in five adults, or 42.3 percent, had completed one or more years of college.

- Some 40.8 percent of all nonmetro adults had completed high school but had not attended college; the comparable metro figure was 35.7 percent.

- Nearly one in three (30.9 percent) of all nonmetro adults had not completed high school. By contrast, fewer than one in four (22.0 percent) metro adults had not received their high school diploma.

It is well known that poverty rates are much higher among those with less education, a relationship that holds true in both nonmetro and metro areas. For example, the poverty rate among nonmetro adults who have not graduated from high school is more than triple the rate among nonmetro adults who have attended college.

Table VIII
Poverty Rates Among Adults, 1987

	1 or more years of college	High school graduate; no college	Non-high school graduate
Nonmetro	5.7%	12.1%	19.9%
Metro	3.3	8.3	21.7

Factors Other Than Education Also Account for High Poverty Rates

While average education levels are lower in nonmetro than in metro areas, and while adults with less education are more likely to live in poverty, other factors suggest that low education levels provide only a partial explanation of the higher poverty rates in nonmetro areas.

It is necessary, for example, to consider the complex relationship between education and job opportunities. Individuals may be less likely to pursue more years of education or to take their current education seriously if they do not believe education will improve their job opportunities. In areas where job opportunities are scarce (especially opportunities for jobs requiring higher education levels), individuals may have less incentive to advance their education.

Furthermore, poverty rates are much higher in nonmetro areas than in metro areas both for adults with some college education (5.7 percent versus 3.3 percent) and for those who have completed high school (12.1 percent versus 8.3 percent). The differing poverty rates among groups with similar education levels suggests that the lower level of education among nonmetro adults is only a partial explanation for the higher poverty rates among workers in nonmetro areas.[25]

Moreover, while the average years of education is lower among *all* nonmetro adults than among all metro adults, this is not the case when *poor* adults in metro and nonmetro areas are compared. Although a smaller proportion of poor adults in nonmetro areas than in metro areas had attended college by 1987 (12.7 percent versus 15.3 percent), a larger proportion had at least graduated from high school (51.5 percent versus 47.8 percent). These data cast further doubt on explanations attributing most of the difference between metro and nonmetro poverty rates to differences in schooling.

Not only do the differences in education levels fail to explain most of the difference in poverty rates in nonmetro and metro areas, the *increase* in poverty among the nonmetro poor from 1978 to 1987 cannot be explained by falling education levels -- since the education levels in nonmetro areas increased during this period.

- In 1987, some 69.1 percent of all nonmetro adults -- nearly seven in 10 -- had graduated from high school and/or attended college. The comparable figure for 1978 was 61.6 percent -- about six in 10.

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[25]While nonmetro poverty rates are higher than metro poverty rates among adults who have some college education or have at least graduated from high school, this relationship does not hold true for non-high school graduates. Poverty rates are slightly lower in nonmetro areas than in metro areas for adults who have not graduated from high school -- 19.9 percent versus 21.7 percent. An explanation that would accord with these data is that job opportunities are more limited for high school and college graduates in nonmetro areas than in metro areas (and thus poverty rates are higher among these nonmetro adults), but that job opportunities are roughly equivalent among non-high school graduates in both nonmetro and metro areas (and thus poverty rates are roughly equivalent). Declines in job opportunities for workers without a high school education in a number of inner city areas have been documented by researchers William Julius Wilson and John Kasarda, among others.

- The average education levels of the nonmetro *poor* increased at an even faster pace. In 1987, more than half (51.5 percent) of all poor nonmetro adults had completed high school or gone on to college, compared to 34.9 percent in 1978.

The growing education levels of nonmetropolitan adults suggest that inadequate job opportunities and lower wages, and not simply low educational attainment, are the major causes of poverty among a substantial fraction of nonmetro working people. These data also indicate that these employment and wage factors, as distinguished from education factors, are likely to account for much of the increase in poverty since the late 1970s among nonmetro workers.

This point is further corroborated by data which indicate that poverty rates were higher in 1987 than in 1978 at *all* education levels in both nonmetro and metro areas.[26] In nonmetro areas, poverty rates rose most sharply among individuals with high school degrees only; in metro areas, they rose most sharply among those without high school degrees.

This is not to suggest that educational deficits have not contributed to high poverty rates or that more or better education has no role in reducing poverty among nonmetro workers. In fact, the argument can be made that although levels of educational attainment have increased since the late 1970s, the levels of education required by the new jobs created in the economy have increased at an even faster pace. Two noted researchers -- William Julius Wilson of the University of Chicago and John D. Kasarda of the University of North Carolina at Chapel Hill -- are among those who have persuasively detailed how the employment opportunities of inner-city blacks have deteriorated in recent years not because their education levels have fallen, but because the skill requirements of new jobs have risen.

There is also evidence that in some nonmetro areas, employment opportunities may exist, but many of the rural poor may be unable to qualify for them. A study issued recently by the State of North Carolina Department of Administration, *Chronic Unemployment in Rural North Carolina*, contains the results

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[26]From 1978 to 1987, poverty rates among nonmetro adults with at least some college education rose from 4.1 percent to 5.7 percent; among those with high school diplomas only, poverty rates rose more sharply, from 7.3 percent to 12.1 percent; and among those without high school diplomas, poverty rose more modestly, from 17.6 percent to 19.9 percent. Poverty rates thus grew the most among nonmetro adults with high school diplomas only, jumping by two-thirds in the nine-year period. In metro areas, from 1978 to 1987 poverty rates among adults with at least some college education ticked up from 3.1 to 3.3 percent; among those with high school diplomas only, poverty rates rose from 6.3 percent to 8.3 percent; and among those without high school diplomas, poverty rose the most sharply, from 14.6 percent to 21.7 percent.

of a survey conducted of unemployed rural people in that state. When asked the main reason they had not been able to obtain or keep a job, 12 percent cited not being able to read well enough and an additional 58 percent cited not having adequate skills or training.

Furthermore, the comparatively low levels of education and skills of workers in many rural areas may make some employers less likely to locate there.

Inadequate education and skills do contribute to the high poverty rates of nonmetro working families, but are just two of a number of important contributing factors. In addition, it should be noted that the rise in poverty since the late 1970s among nonmetro working families has occurred during the same period that a number of states with large nonmetro populations (notably some of the Southern states) have been investing more heavily in education.

The inability of educational factors to account for more of the increase in nonmetro working poverty provides a further indication that inadequate job opportunities and lower wages are central to explaining the rise in poverty among nonmetro working families during the past decade.

VII. BENEFIT REDUCTIONS AFFECTING LOW INCOME WORKING FAMILIES

Many of the developments that have influenced the number of working poor in this country are not primarily driven by government policies. Government policies cannot guarantee that the wages of the typical worker rise or that job growth will occur in high wage industries. To be sure, government policies can attempt to encourage such trends and to keep unemployment rates low, but government policies are limited in scope and should balance other objectives as well. Addressing the problems of the working poor requires action by both the private and the public sectors, and by some of the working poor themselves (for example, they may need to improve their work skills).

Nevertheless, government policies have played a significant role in increasing the number of working poor. As noted in Chapter V, the lack of any increase in the minimum wage since 1981 has been a factor. A second factor related to government policies has been the sharp reductions in the assistance provided to the working poor through government benefit programs.

During the 1980s, cutbacks have occured in several key programs that assist the working poor. These reductions have made it much less likely that the working poor will qualify for AFDC benefits; they have substantially reduced the likelihood that low wage workers who lose their jobs will receive unemployment insurance benefits; and they have sharply decreased the amount of employment and training assistance provided to disadvantaged workers. The working poor are now less likely to receive aid both while they are employed and while they experience spells of unemployment.

Reductions in AFDC Benefits

In the early 1980s, a number of the basic programs for low-income households were subjected to substantial federal budget reductions. The bulk of the cuts in these programs were made by eliminating or reducing benefits for low-income households that did not fall into the very poorest categories. Rather, the cuts primarily hit families in the $5,000 to $12,000 income range.

These are precisely the income levels at which the working poor are found. Moreover, many of the largest reductions were specifically aimed at low-income families that had some earnings. Most analysts who have studied the reductions made in low-income benefit programs in the early 1980s have concluded that the single group hit hardest by the budget cuts was the working poor population.

One of the programs cut most sharply was Aid to Families with Dependent Children where the largest cuts were explicitly aimed at mothers who worked but still had low incomes.

A 1985 study by the General Accounting Office (GAO) found that the federal changes in AFDC eligibility provisions enacted in 1981 terminated 440,000 low income working families (most of them female-headed) from the program. Several hundred thousand additional working poor families remained on AFDC but had their benefits reduced. The GAO report also found that many of these families experienced serious hardship in the aftermath of the cuts.

In addition to the 1981 changes in eligibility provisions, the level of AFDC benefits has fallen in the 1980s in all but a few states, continuing a trend that began in the early 1970s. In the typical state, the level of benefits provided to a family of four without other income fell 17.5 percent from 1979 to 1989, after adjusting for inflation. The declines in AFDC benefit levels were sharper in the most rural states, even though these states already had lower benefit levels than the most urban states.

- In six of the 10 most rural states (i.e., the states with the highest proportion of people living in nonmetro areas),[27] AFDC benefits for a family of four without other income declined by more than 23 percent from 1979 to 1989, after adjusting for inflation. By contrast, AFDC benefits declined by this amount in only one of the 10 most urban

[27]In 1987, the 10 most rural states were (listed from the most rural): Idaho, Vermont, Montana, South Dakota, Wyoming, Mississippi, Maine, West Virginia, North Dakota, and Arkansas. The six of these 10 states where the purchasing power of AFDC benefits fell by more than 23 percent from 1979 to 1989 were Arkansas, Idaho, Mississippi, North Dakota, South Dakota, and West Virginia.

states (i.e., states with the highest proportion of their populations living in metro areas).

- In the 10 most rural states, AFDC benefits for a family of four without other income average 45 percent less than in the 10 most urban states.[28]

Because of the combined effect of the changes in AFDC eligibility provisions enacted in 1981 and the declines in AFDC benefit levels, AFDC income eligibility limits have plummeted in most areas. In most states, a working mother may now have earnings that fall far below the poverty line but are too high for the mother and her children to qualify for AFDC.

Data published by the House Ways and Means Committee illustrate this point. The data show that in 1976, a mother with two children and with wages equal to 75 percent of the poverty line would have qualified for AFDC benefits in 47 states. By 1988, this same mother would have received AFDC benefits in only 13 states -- with urban states making up a disproportionate share of these states.

The budget reductions enacted in the early 1980s thus compounded an already serious problem -- the unavailability of many means-tested benefits to the working poor population. Many working poor families are ineligible for AFDC and Medicaid, either because the family has both parents present and does not meet the stringent requirements of the AFDC program for two-parent families or because the family's earnings place it over its state's AFDC income limits. For example, AFDC is available to poor two-parent families only if the primary earner works less than 100 hours a month. A poor two-parent family with a full-time worker is shut out.

In addition, even among single-parent families, few poor families with workers are eligible for AFDC. Relatedly, few poor families who receive AFDC have earnings. The proportion of AFDC families that have earnings was just 7.8 percent in 1987, substantially lower than the proportion (12.8 percent) in 1979.

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[28]The author made this calculation based on AFDC benefits levels in these states weighted by the number of people living in these states.

Unemployment Insurance

A second assistance program that has undergone substantial cutbacks has been unemployment insurance. Hence, the poor who work part of the year and then lose their jobs are less likely to receive aid than in the past.

In 1988, only 31.5 percent of unemployed workers, or fewer than one in three, received unemployment insurance in an average month, the same coverage rate as in 1987. This coverage rate is the lowest ever recorded in the program's history, with 1988 the fifth consecutive year that unemployment insurance coverage either set or tied a new record low. The coverage rate now is well below the levels of the 1970s.

As with AFDC benefits, the decline in unemployment insurance coverage has been sharper in nonmetro than in metro states. In addition, nonmetro states have lower coverage rates.

- In five of the 10 most rural states, unemployment insurance coverage rates declined by nearly one-third or more from 1979 to 1988.[29] By contrast, coverage did not decline by this magnitude in any of the 10 most urban states.

- In the 10 most rural states, unemployment insurance coverage averaged 28.7 percent in 1988. In the 10 most urban states, coverage averaged 40.2 percent.[30]

The reasons for the drop in unemployment insurance coverage include the federal budget reductions enacted in 1981 that severely curtailed the "extended unemployment insurance program." Although this program is supposed to provide an additional 13 weeks of benefits to long-term unemployed workers (those unemployed for more than 26 weeks) in states experiencing high unemployment, only one state -- Alaska with an unemployment rate of 9.3 percent -- qualified to receive extended benefits in 1988. Other states with troubled economies did not qualify – including Louisiana with an unemployment rate of 10.9 percent, West Virginia with a 9.9 percent rate, and Mississippi with an 8.4

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[29]The five states are: Mississippi, Montana, North Dakota, South Dakota, and West Virginia.

[30]The author made this calculation based on unemployment insurance coverage levels in these states weighted by the number of unemployed living in these states. That is, the average equals the total number of unemployed receiving unemployment benefits in an average month in these states divided by the total number of unemployed in these states.

percent rate. About two-thirds of the residents of West Virginia and Mississippi live in nonmetro areas.

Furthermore, the many nonmetro unemployed who live in counties with double-digit unemployment rates were not eligible for extended benefits in 1988, with the exception of a very small number of unemployed workers in rural Alaska.

The federal cutbacks in unemployment insurance were but one of the factors leading to the program's contraction. State cutbacks in the basic unemployment insurance program also contributed to the reduced coverage rates. In addition, other factors, including changes in the regional distribution of the unemployed, have been cited as contributing to the drop in the average coverage rate for the nation.

A number of studies, including analyses conducted at the Urban Institute and the University of Wisconsin's Institute for Research on Poverty, have detailed the high toll that the decline in unemployment insurance benefits has exacted on low-income households. Long-term jobless workers have much higher poverty rates than those unemployed for shorter periods, and fewer of the long-term unemployed are now being assisted by unemployment insurance than in the 1970s.[31]

Employment and Training Programs

Unemployed people not only receive substantially less income security than they formerly did, but also are provided less assistance in finding a job. Federal employment and training programs have been subjected to sharp cuts in funding during the 1980s. Funding for these programs decreased by more than half, or 57 percent, from fiscal year 1981 to fiscal year 1989, after adjusting for inflation. The poor are now receiving substantially less assistance in skill training and in finding jobs that can enable workers to escape poverty.

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[31]See the Center on Budget and Policies Priorities' recently released study "Unprotected: Unemployment Insurance and Jobless Workers in 1988" for more information on declining coverage under the unemployment insurance system.

Table IX

Federal Spending for Employment and Training Programs,
Fiscal Years 1981 and 1989
(constant 1989 dollars, in millions)

	Fiscal Year 1981	Fiscal Year 1989
Grants to States under the Job Training and Partnership Act (JTPA)	$ 0	$1,873
General CETA Programs	4,680	0
Summer Youth Employment Programs	1,064	696
Dislocated Worker Assistance	0	264
Job Corps	747	698
Older Americans Employment	383	334
Work Incentive Program	527	97
Other Training Programs	955	295
Federal-State Employment Service	1,113	1,047
Public Service Employment	3,320	0
Targeted Jobs Tax Credit (tax expenditure)	422	320
Total Spending	13,211	5,624

In fiscal years 1990 and 1991, states will begin operating a new employment and training program, authorized by the federal welfare reform legislation adopted last year (the Family Support Act of 1988), that is designed to improve the employment prospects of AFDC recipients. The Job Opportunity and Basic Skills (JOBS) program, which replaces the Work Incentive Program, will provide remedial education, job training and other services to help AFDC recipients move into jobs. Federal expenditures for the JOBS program are currently estimated at $350 million in fiscal year 1990 and $685 million in fiscal year 1991. This new infusion of funding is needed, but falls well short of closing the gap between prior and current funding levels for employment and training programs. Moreover, the JOBS program is limited to jobless individuals who receive AFDC, primarily heads of single-parent families. It will not reach most of those who are unemployed, underemployed, or unable to secure jobs paying more than poverty level wages because they lack the necessary education or skills.

CONCLUSION AND POLICY DIRECTIONS

In nonmetro areas, work and poverty often go hand-in-hand. Many of the nonmetro poor keep their end of the societal bargain: they find employment and try to earn their way out of poverty. But they are unable to do so.

Despite the economic recovery, poverty rates remain high among nonmetropolitan workers. These high poverty rates reflect the unevenness and weakness of the recovery in many nonmetro areas, with the unemployment rate dropping less among nonmetro workers than among metro workers and with the earnings and wages of nonmetro workers remaining below the levels of the late 1970s, once inflation is taken into account.

The reasons for the drop in the earnings and wages of nonmetro workers are varied and complex; they reflect, in part, the changing nature of international competition and of job development. Reversing this drop thus depends, in part, on changes in the private economy.

At the same time, however, a wide range of government policies have worsened the situation of workers in poverty, including the fall in the value of the minimum wage and reductions in government assistance for the working poor.

Policy Directions

Positive government policies can assist the working poor and reduce their ranks. Policies that can raise the returns from employment for these workers can be especially beneficial. Most of these policies involve assistance outside the welfare system.

The Center on Budget and Policy Priorities currently is preparing a report on income strategies that could benefit the rural working poor. This report will be released later in 1989.

However, a number of proposals that would benefit the rural working poor are now being considered in Congress and deserve mention here. These proposals are briefly noted in order to sketch the outline of a policy package to assist the working poor. Most of these proposals will be more fully discussed in the upcoming Center paper.

One proposed policy change now winding its way through the legislative process would be to expand the Earned Income Tax Credit, a tax credit that assists low-income working families with children. Since such a large proportion of rural poor families have earnings, and since this proportion is larger than in urban areas, expansion of the credit would disproportionately benefit the rural working poor.

A second tax proposal that would affect the nonmetro working poor would improve the Dependent Care Tax Credit, a tax credit that helps offset child or other dependent care costs for families with workers. Currently, this credit is structured in a manner that provides little to no assistance to low-income families, since it is available only to families with incomes high enough to owe federal income tax. A proposal now before the Congress would amend the credit so that it is available to working poor families too poor to owe income tax -- the working families who need assistance the most.

Congress is also considering a revised proposal to restore some of the value that the minimum wage has lost to inflation. President Bush vetoed a minimum wage increase in May, calling for a scaled-back bill. The outcome of this legislative dispute will be central to the future economic security of nonmetro workers. A substantial and rising proportion of these workers do not earn a wage sufficient to lift a family of four out of poverty.

Another proposal now in the Congressional pipeline that would be of benefit to the nonmetro working poor would extend Medicaid -- the government health insurance program for low-income households -- to more poor children who are not on welfare. Most of the children who would be covered are children who live in working poor families. Currently, many of the nonmetro working poor and their children lack any health insurance.

Finally, Congress is considering legislation to increase federal support for child care services and to improve the quality of such services, especially for

children from low and moderate income working families. This legislation also could have a significant impact in nonmetro areas.

These legislative proposals should not be regarded as constituting the full agenda of policies to assist the working poor. Other policies, including changes in such areas as state taxes and the unemployment insurance system, should also be considered and will be discussed in the upcoming Center paper. Moreover, some of the legislative proposals now before Congress are likely to emerge in relatively modest form. Nevertheless, the proposals now under consideration could represent significant strides in advancing this agenda.

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